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Wall Street Rallies, Dow Gains 102; Losses Deepen in Tokyo and London

Markets in Europe, Asia Driven Lower by Turmoil

Compiled by Our Staff From Dispatches

Wall Street's historic crash on Monday reverberated through financial markets around the world on Tuesday, leading to record one-day drops in London and Tokyo and the closing of the Hong Kong exchange.

Most European markets were down sharply, although losses in some cities were cut in late trading. In London, the Financial Times 100-share index ended 250.70 points, or 12.22 percent, lower at 1,801.60.

In Paris, stock prices actually recorded a gain, although of less than 1 percent, reacting to an encouraging market opening in New York. The start of dealing on the Milan stock exchange was postponed an hour on orders from the National Commission for Stock Exchange Companies.

In Frankfurt, the other major European exchange, dealers said trading was chaotic, with some stocks drastically losing value and others rising. The Commerzbank index ended down 4.4 percent.

In Athens, cautious officials closed down the stock exchange for the day. In Tokyo, the 225-issue Nikkei Average, Japan's main barometer of stock performance, slipped 3,836.48 points, or 14.9 percent.

trading early that day, spilled back onto Tuesday's activity. The Hong Kong Stock Exchange, stunned by record losses, suspended shares and futures trading for the remainder of the week.

The surprise announcement by the exchange's president, Ronald Li, came after the Hong Kong market suffered its worst one-day loss as share prices tumbled 11 percent Monday on the local Hang Seng index.

The suspension of trading is "to protect the investors and allow brokers to settle the backlog" from Monday's heavy trading, Mr. Li said. Panic selling hit the Sydney Stock Exchange at the opening bell on Tuesday, with traders slashing 50 billion Australian dollars (\$36 billion) off the value of shares as investors dumped stocks across the board in the biggest fall in the market's history.

The visitors' gallery at the Sydney Stock Exchange was packed by small investors watching their fortunes turn to paper. It was pandemonium on the floor, with sellers rushing around trying to find buyers. The Singapore stock market also fell as investors scrambled to get rid of shares. There was not a single gainer among the 143 issues, with blue chips recording staggering falls.

"This is worse than in 1929," said S.H. Chan, an analyst with Paul Morgan Associates. "Everything is rattled it's happening so fast."

Stock markets also plunged in Malaysia, the Philippines, Taiwan and South Korea. (Articles about the European and Asian markets, Page 7.) (UPI, AP)

U.S. Shares Are Buoyed By Bond Prices, Dollar

By Jonathan Engel International Herald Tribune

The Dow Jones industrial average rose a record 102 points Tuesday, but the increase recovered only about one-fifth of Monday's unprecedented decline and broader indicators of the market's health fell.

Trading remained volatile and investors nervous, on a day when stock exchanges throughout the world fell sharply in reaction to Monday's Wall Street collapse. In New York, trading volume remained around record levels.

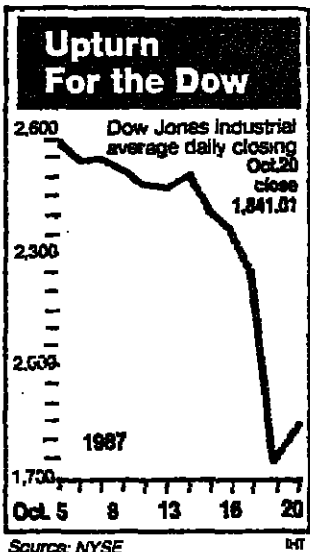
The Dow average of 30 leading U.S. stocks surged by 102.27 points to 1,841.01 for a 5.9 percent gain. It was the blue-chip indicator's 30th largest advance in percentage terms. On Monday, in a plunge surpassing the great crash of 1929, the Wall Street barometer dropped 508 points, or 22.6 percent, wiping about \$300 billion off the value of U.S. shares.

Dealers said the market was buoyed by a surge in bond prices, corporate announcements of stock buybacks, indications of coordinated efforts to stabilize the dollar and supportive statements from Alan Greenspan, chairman of the Federal Reserve Board, the U.S. central bank.

Mr. Greenspan promised Tuesday to provide the liquidity required to protect U.S. financial markets from a run on funds. After the market closed, President Ronald Reagan said he saw no evidence that Monday's freefall of stock prices and Tuesday's continued market volatility would throw the country into a recession.

Mr. Reagan, who had just finished meeting with Mr. Greenspan and other economic advisers, also said that he saw room for a further decline in interest rates. "The most important thing is that the bond market rallied," said Ricky Harrington, an analyst at Interstate Securities in Charlotte, North Carolina, "and that there appeared to be a concerted effort by monetary authorities to keep this market from moving much lower and to prevent further repercussions."

As trading remained heavy, the number of stocks falling outpaced those gaining by nearly 3 to 1. Volume totaled 603.3 million shares, just below the record 604.3 million



Source: NYSE



James A. Baker 3d, U.S. Treasury Secretary, arriving in Washington on Tuesday after cutting short a European trip.

U.S. Treasury Chief Under Fire

James A. Baker 3d, the U.S. Treasury secretary, arriving in Washington on Tuesday after cutting short a European trip. Last weekend, Mr. Baker criticized West Germany for raising interest rates, seeming to signal an unraveling of an accord to stabilize currency values.

Mr. Baker's comments had helped spur a wave of stock sales worldwide. Many economists have credited the public's surprisingly healthy appetite for consumer goods with helping to sustain U.S. economic growth. But American consumers are

clearly frightened by what is happening in the stock market, and economists are no longer sure whether they will maintain current spending levels. Many suspect that millions of Americans have a real or imagined feeling of being less well-off than they were last week.

As a way of illustrating this concern, Fidelity Investment Co. in Boston, one of the nation's biggest mutual fund managers, reported 200,000 phone calls from investors on Monday, compared with 110,000 in a normal business day.

Most, a spokesman said, were eager to get out of stock mutual funds and into money-market funds. "People are going to be more tight-fisted with their money," said Robert Hormats, vice president of Goldman, Sachs & Co., an investment banking firm.

"If people were thinking of going out to dinner, they may end up staying home," he said. "And if someone had plans to buy a new refrigerator, they may decide to keep the old one."

Likewise, Geoffrey H. Moore, director of the Center for International Business Cycle Research at the NYSE, said the request would remain in effect until trading volume, which set records both Monday and Tuesday, subsided. The volatility of Tuesday's trading, however, indicated that the request was being ignored.

Mr. Phelan warned a Washington audience last December that portfolio insurance could someday lead to a "financial meltdown." The markets laughed him off. But Mr. Phelan's term may now have burned itself into the stock market's permanent lexicon.

There are strong indications that the computerized programs, designed to hasten selling when the markets turn down in an effort to protect clients from the impact of sharp declines, inspired the past week's waves of selling. The leading insurance technique involves selling not stocks, but related stock-index futures, and using the proceeds to offset stock losses. As the selling waves hit the futures markets, they drive futures prices down, which in turn drag stock prices down.

People who sell portfolio insurance acknowledged that it failed in recent days to protect clients from losses. The reason is that stock-index futures have collapsed as much or more than stock prices. "Portfolio insurance had a lot to do with creating this market," said Preston W. Estep, head of a leading portfolio insurance firm. "Everyone who deals in it will have to go back and do what they can to repair the damage to their reputations." (LAT, AP, Reuters)



Defense Secretary Caspar W. Weinberger with Crown Prince Abdullah bin Abdul Aziz of Saudi Arabia during welcoming ceremonies at the Pentagon on Tuesday.

U.S. Warns Tehran On Further Attacks

WASHINGTON — The United States warned Iran on Tuesday that it would again retaliate for any hostile action against it in the Gulf as U.S. warships began escorting another tanker convoy from Kuwait. Defense Secretary Caspar W. Weinberger said the United States sought no further hostilities but was ready to deal with any Iranian response to Monday's U.S. attack on an Iranian oil complex. The United States said the complex was being used to launch military operations.

Meanwhile, the Senate voted 92-1 for a nonbinding measure endorsing Monday's U.S. attack. The Defense Department later said that U.S. warships had begun escorting two U.S.-flagged Kuwaiti tankers out of a Kuwait port. Asked if the United States was prepared for a war with Iran, Mr. Weinberger told a television interviewer: "Well, we are prepared to think for whatever eventualities emerge from this situation but we don't look on it as a war."

He said he did not know if Iran would carry out its threat to retaliate for Monday's assault, which was in response to an Iranian missile attack Friday on a U.S.-flagged oil tanker in Kuwaiti waters. Iran's leaders on Tuesday denounced the U.S. assault and threatened retaliation.

Iran said the U.S. attack had caused \$300 million in damage. Hashemi Rafsanjani, the speaker of the Iranian Majlis, or parliament, was quoted by the Tehran radio as saying that, "God willing, we will carry out our duty in the coming days and make them sorry."

President Ali Khamenei said the U.S. attack had no military value. "To strike an oil rig is not an achievement to boast of," the national news agency IRNA quoted him as saying.

Mr. Weinberger, while declaring U.S. readiness to deal with any Iranian military action, emphasized that the United States sought no further hostilities. "We're not at war," he said. "We're not seeking to expand the conflict. We're not seeking to have any kind of additional aggressive measures at all."

In London, Secretary of State George P. Shultz also said the United States was prepared to deal with any Iranian military action, which was in response to an Iranian missile attack Friday on a U.S.-flagged oil tanker in Kuwaiti waters. Iran's leaders on Tuesday denounced the U.S. assault and threatened retaliation.

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World Stocks Continue Falling

Table with columns: City, Index, Point Change, Percentage Change. Includes London, Paris, Frankfurt, Tokyo.

U.S. Stock Slide Seen Adding to Risk of Recession

By John Meehan International Herald Tribune NEW YORK — The historic plunge in stock prices in recent days threatens to trim U.S. economic growth next year and adds to the risk that the economy could slip into recession, many economists said Tuesday as they assessed the damage to investor confidence.

According to these analysts, the economic consequences of Monday's 508-point plunge on the New York Stock Exchange, a slide that wiped out an estimated \$500 billion in equity value, could include curtailed consumer spending and reduced investment in new plants by corporations.

"It's one more indicator of the rocky road ahead," said C. Fred Bergsten, president of the Institute for International Economics, a private group based in Washington. Conventional wisdom holds that the stock market is one of the best leading indicators for the economy, and past market downturns have heralded recessions.

The Great Depression of the 1930s was preceded by the stock market crash of 1929. Economists said they do not believe the economic repercussions from the market's decline will bring on a depression. Many safeguards have been created since 1929 to insulate the

economy from violent stock market swings. Moreover, many analysts said it was premature to say that an economic downturn was a certainty at this point. But fear of a recession is at its highest level in some time. And many economists who have been warning of a recession in late 1988 and 1989 are moving up the schedule.

The first casualty of the market's slide could be consumer spending. Many economists have credited the public's surprisingly healthy appetite for consumer goods with helping to sustain U.S. economic growth. But American consumers are

clearly frightened by what is happening in the stock market, and economists are no longer sure whether they will maintain current spending levels. Many suspect that millions of Americans have a real or imagined feeling of being less well-off than they were last week.

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Kiosk

Zhao Confirmed In Party Post

BEIJING (WP) — The Central Committee of the Chinese Communist Party approved Tuesday an earlier decision to make Zhao Ziyang, 68, acting party chief. The committee also formally accepted Hu Yaobang's resignation from that post, the official Xinhua press agency said.

The committee Tuesday held the first in a two-week-long series of meetings expected to promote a new generation of leaders and bolster China's faltering economic reforms. The meeting sets the stage for the 13th party congress, which is slated to open Sunday, the first to be held in five years.

The congress is expected to appoint Mr. Zhao as permanent party chief.

Jacqueline du Pré, the British cellist whose career was interrupted by multiple sclerosis, is dead at 42. Page 2.

GENERAL NEWS India said its troops had cut off the escape routes of Tamil rebels in Sri Lanka. Page 2. Vice President George Bush, in a gamble, has begun to move to the political center. Page 3.

Dow close: UP 102.27 The dollar in New York: DM £ Yen FF 1.8105 1.6315 143.95 6.942

Aquino Toughens Tone, Vows to 'Rule Directly'

By Keith B. Richburg Washington Post Service MANILA — President Corason C. Aquino, confronting widespread criticism that she is weak and lacks vision, told Philippine business leaders Tuesday that she would drop her style of government-by-consensus and pledged: "Henceforth, I shall rule directly as president."

Mrs. Aquino also announced that she had ordered the police and military to use force to break up widespread illegal strikes. "The honeymoon is over," she said in an address to more than a thousand people at a joint meeting of 13 of the country's most prominent business groups.

The audience first expressed surprise and then reacted with applause to Mrs. Aquino's speech. It was the longest and the toughest she has delivered since becoming president in February 1986.

Mrs. Aquino touched on all the major concerns of the business community and the public, from her shaky ties with the military to the concern over mounting labor unrest; from the war against the Communist insurgents to questions about whether she is strong enough to endure as president.

"The question you all really want to ask is, can she back it? Isn't she weak?" Mrs. Aquino told the businessmen's forum. "The honeymoon is over, isn't it? It didn't last very long. The Cory who could do no wrong in those early, invigorating months after February 1986, is seen as having done nothing at all."



Sam Walton, Wal-Mart Stores Inc. Estimated family net worth: \$17.8 billion



Leslie Wexner, Fidelity Investment Co. Estimated loss: \$185.7 million



Edgar Bronfman, Seagram Co. Ltd. Estimated loss: \$126.3 million



William Hewlett, Hewlett-Packard Co. Estimated loss: \$265.9 million

From Billionaires' Row: It's Only Paper

Compiled by Our Staff From Dispatches

NEW YORK — "It's paper anyway," said a philosophical Sam Walton, reflecting on the more than half-a-billion-dollar loss his assets sustained in the stock market plunge.

Mr. Walton, reputedly the richest man in the United States, added, "It was paper when we started and it's paper afterward."

Until recently, Mr. Walton, the chairman and chief executive officer of Wal-Mart Stores Inc., had an \$8.45 billion stake in the company, according to Forbes Magazine. The decline in the stock market in recent months pushed down the value of the family's stake to \$6.32 billion. Black Monday wiped a further \$517.8 million off those assets, leaving the Walton holdings at about \$5.3 billion.

Mr. Walton was attending a conference on education in Little Rock, Arkansas, on the day the Dow Jones industrial average

dropped 508 points. He seemed unfazed by the news. "As far as I'm concerned, we're focusing totally on the company doing well and taking care of our customers," he said.

He was back at his desk in Arkansas on Tuesday, still proclaiming his lack of personal concern. But he said he did worry about the company's stockholders.

Another Arkansas billionaire, Don Tyson, chairman of the Tyson Foods Inc. poultry concern in Springdale, was similarly blasé about his losses. "Basically, we'll run the chicken business and let the market take care of itself," he said.

On paper, at least, there were other big losers among Forbes's list of the 400 richest Americans. According to calculations by The Associated Press, based on share prices after Monday's fall, William Hewlett's share in

Hewlett-Packard Co., the computer manufacturer, dropped \$265.9 million. Leslie Wexner, chairman and president of The Limited Inc., a clothes retailer, lost an estimated \$185.7 million; August Busch Jr., the chairman of Anheuser-Busch Companies Inc., the brewer, lost \$189.4 million; and Edgar Bronfman, the chairman of Seagram Co. Ltd., lost \$126.3 million.

The net worth of Bill Gates, 31, co-founder of Microsoft Corp., who was listed by Forbes as the youngest billionaire, fell to about \$950 million; a week ago he had a net worth of about \$1.5 billion.

Microsoft officials said Mr. Gates was not particularly worried. "He doesn't pay that close attention on a day-to-day basis," said Raymond Ferguson, Microsoft's director of investor relations. (AP, UPI)



# India Says It Cut Off Tamil Escape Route In Sri Lanka Battle

**COLOMBO, Sri Lanka**—Fierce fighting continued Tuesday in Jaffna as India reported that its troops had seized a major road and cut escape routes of Tamil rebels from their last major stronghold.

Sri Lankan military officials said that the rebels were continuing to put up fierce resistance but that the Indians controlled strategic positions throughout the city in the heart of the island's Tamil-dominated northern region.

D.K. Maitra, an Indian Foreign Ministry spokesman, said in New Delhi that by daybreak Tuesday Indian soldiers had "re-established control of the coastal road" along the lagoon on the south side of Jaffna.

India forbids journalists from entering the combat zone, and no independent confirmation of the situation in Jaffna was available.

Jaffna was reportedly still webbed with mines and booby traps on the 11th day of an assault that has left hundreds dead.

Sri Lankan officials said fierce fighting was still raging in and around the two-square-mile (five-square-kilometer) heart of the densely populated fishing port, where 8,000 Indian troops are pitted against 2,500 fighters of the Liberation Tigers of Tamil Eelam.

Reports from officials and refugees said two-thirds of the city's 150,000 residents had fled or sought refuge in schools, Hindu temples and public buildings.

The city is on the Jaffna Peninsula, which is joined to the rest of Sri Lanka by a narrow isthmus. Residents who fled city 185 miles (300 kilometers) north of Colombo said people used small boats to cross the shallow lagoon to the main part of Sri Lanka.

About 17,000 Indian soldiers are in Sri Lanka trying to end a four-year guerrilla war by Tamils against the Sinhalese-dominated government. The war has left more than 6,000 people dead.

A peace accord between the two sides, which India agreed to enforce, was signed on July 29, and the Indian offensive began Oct. 10.

Sri Lankan military officials said the Indians were making house-to-house searches and detaining men for questioning. Many rebels wear ankle-length sarongs and have avoided capture by blending with the civilian population.

Figures provided by the Sri Lankan military officials Tuesday said 47 rebels had been killed in the previous 24 hours, bringing the toll to 563 since the offensive began. The officials said 123 Indian soldiers had been killed and 25 were missing.

The Liberation Tigers, who did not surrender their weapons as the peace agreement required, want an independent Tamil nation in northern and eastern Sri Lanka.

About 75 percent of Sri Lanka's 16 million people are Sinhalese, most of them Buddhist, and 18 percent are Tamils, nearly all of whom follow Hinduism, but there are Christians in both groups.



**9 Die as Air Force Jet Hits Hotel in U.S.**  
Rescuers moved a victim Tuesday after a U.S. Air Force fighter jet crashed into a hotel lobby near Indianapolis International Airport, killing at least nine people and injuring at least 10. The pilot, on a routine training flight, bailed out before the crash.

# Sikh Gunmen Kill 9 at Festival Near New Delhi

**By Richard M. Weintraub**  
*Washington Post Service*

**NEW DELHI**—Assailants identified as Sikh militants opened fire Tuesday night on crowds gathered for a religious festival, leaving at least nine persons dead in a New Delhi suburb.

Fifteen people were reported injured and one of the gunmen was later reported killed in a gun battle with police several miles away.

The attack, coming on the eve of the festival of Diwali, threw a pall over what is usually one of the most joyous times of the year in India, especially throughout the northern part of the country.

Relations between Sikh militants and government security forces have been tense over the past several days following a call for a major Sikh gathering in Amritsar, the Sikh holy city in Punjab State, on Thursday to support demands for a separate Sikh homeland to be called Khalistan.

Dozens of militant Sikh leaders, including four high priests, have been placed under preventive detention in an apparent effort to block the meeting.

Eyewitnesses said the gunmen shouted "Khalistan zindabad," or long live Khalistan, as they opened fire on crowds at the main festival ground at Chittaranjan Park in south New Delhi.

Residents said the area was "in panic" after the shootings.

The gunmen also reportedly later struck at Nanakpura, about three miles (five kilometers) away, and the adjoining community of Dhaula Kuan.

Few occasions could be more symbolic than Diwali for a terrorist attack designed to strike at the Hindu community.

Melaa, or fairs, spring up all around New Delhi in the days before Diwali, a major fall festival.

Most are sponsored by neighborhood committees and turn into large local gatherings. Starting Wednesday night, many of the melaa grounds turn into prayer sites.

The same part of New Delhi was the scene of two other terrorist attacks this past summer. Gunmen killed 13 people in an adjacent neighborhood in mid-June and two in another nearby community at the end of July.

# GULF: U.S. Warns Iran

**(Continued from Page 1)**

ed States was not seeking a war with Iran.

The U.S. attack "was a well-timed, precise, restrained, definite response to Iranian attacks and most recently on an American-flagged ship," he said. "I think it was not entirely appropriate but necessary under the circumstances."

Asked if Washington was "backing into war," Mr. Shultz replied, "no."

Mr. Shultz was in London for talks on the Gulf War and Middle East peace with King Hussein of Jordan. He also met with the British foreign secretary, Sir Geoffrey Howe.

Later, Mr. Shultz flew to Helsinki and will go from there to Moscow and two days of talks with Soviet officials on prospects for an arms control treaty.

In Moscow, Gennadi I. Gerasimov, the Foreign Ministry spokesman, said Tuesday the U.S. attack on the Iranian platforms was an "obvious violation of international law" but was unlikely to have any major impact on the visit of Mr. Shultz.

# Jacqueline du Pré, British Cellist, Dies

**LONDON**—Jacqueline du Pré, the British cellist whose international career was cut short by a multiple sclerosis, died here Monday night. She was 42.

**Elegance and Ferocity**  
*New York Times Service*

Miss du Pré, who was stricken with multiple sclerosis in 1971, had a career that lasted barely a decade. But during her prime she was recognized as one of the world's leading cellists and served as a role model for many young musicians.

During the late 1960s and early 1970s, Miss du Pré and her husband, Daniel Barenboim, seemed a charmed couple. Often compared with Robert and Clara Schumann, they were admired for their energy, musicality and youthful glamour.

Miss du Pré's playing was characterized by an unusual mixture of elegance and ferocity.

"Miss du Pré is a cellist in the

modern vein," Harold C. Schonberg wrote in The New York Times after a 1967 concert. "There is plenty of strength to her playing, and a good measure of romanticism without the romantic string mannerisms of portamento (sliding from note to note) and a fast wide vibrato. She can produce a mellow sound of unusual size and clearly was born to play the cello."

Miss du Pré excelled in a wide variety of music, specializing in the sonatas of Johannes Brahms and the concertos of Haydn, Boccherini, Schumann, Dvorak and Saint-Saëns. She had a particular affinity for English music, and made memorable recordings of the Delius and Elgar concertos. The Elgar was associated most closely with her than with any other cellist since Beatrice Harrison, who died in 1965.

Raymond Ericson, reviewing a 1965 performance of the Elgar work for The Times, observed that "Miss du Pré and the concerto seemed made for each other, be-

cause her playing was so completely imbued with the romantic spirit. Her tone was sizable and beautifully burnished. Her technique was virtually flawless, whether she was playing the sweeping chords that open the concerto, sustaining a ravishing pianissimo tone, or keeping the fast repeated note figures in the scherzo going at an even pace."

The first signs of her illness appeared when she was 26 and at the height of her fame.

"My hands no longer worked," she recalled in 1978. "I simply couldn't feel the strings." She withdrew from concertizing for a year, then returned to mixed reviews. The diagnosis of multiple sclerosis followed shortly, and she retired.

By the mid-70s, she was virtually paralyzed. She could no longer dress herself, not stand unaided, nor travel without a great deal of planning. She put all her energies into teaching, whenever possible, and working for the cause of multiple sclerosis research.

**Dr. Philip Levine, 87, Found Key Blood Factors**  
*NEW YORK (AP)*—Dr. Philip Levine, 87, who discovered the Rh factor in human blood, died here Sunday.

Dr. Levine received numerous awards for his discovery of key blood factors, for greatly increasing the safety of blood transfusions and for identifying the Rh hemolytic disease.

# MANILA: Aquino Toughens Tone, Vows to 'Rule Directly' and Stop Strikers

**(Continued from Page 1)**  
**Communist Party of the Philippines**

The announcement drew praise from businessmen who hailed Mrs. Aquino for finally taking a tough stand to end mounting labor unrest.

However, representatives of church-affiliated social action groups said later the speech appeared to mark Mrs. Aquino's final passage from a president of uncertain ideology to one who has decided to firmly anchor her administration on the conservative twin pillars of business and the military.

They noted that her speech was aimed primarily at pleasing her business audience, and made no mention of the urban poor or the landless farmers.

Mrs. Aquino said she will abandon her hands-off style and begin immersing herself in the details of governing.

She began by giving the Metropolitan Manila mayor, Mel Lopez, one week to clean the piles of garbage off of Manila's streets.

She ordered the Department of Public Works to begin filling the city's potholes. And she told the private long-distance telephone company to attend to customer complaints within 48 hours.

Mrs. Aquino also ordered an investigation into the frequent power shortages that plague the city.

"A president is supposed to be above details," Mrs. Aquino said, "but it seems I must do everything myself."

Mrs. Aquino also chided the military and her appointed local officials for not handling her "string of victories" against the country's Communist insurgents. "I have said all that needs to be said. Am I also expected to take up an M-16 myself and do it?"

Regarding allegations of high-level corruption that have been plaguing her government, Mrs. Aquino said, "I have heard the talk of the coffee shops. I am addressing your concern about graft and corruption." She said she had ordered the special prosecutor to give "first priority" to graft cases against public officials, including cabinet members.

The president drew the loudest applause when she spoke of how the government would respond to the rash of illegal strikes.

"I will not allow an unruly minority to use the rights of labor,"

which she said were meant to improve the conditions of labor. "To achieve a Communist victory instead. The way to power is the ballot, not the strike."

"I therefore order the police and other peacekeeping authorities to give full assistance to the Labor Department to remove all illegal blockades at the factory gates," Mrs. Aquino said.

Business leaders and political analysts agreed that Mrs. Aquino had addressed all the major concerns of her detractors, lashing back at her critics and leaving the impression that she has changed her style of management.

"You can see a very big difference," said one businessman, Raul Concepcion, after the speech. "She's in full control, you can see."

The speech had been billed as perhaps Mrs. Aquino's last best chance to assuage fears in the business community that she was not fully in control of her government.

Mrs. Aquino defended her record on the economy, including the impressive growth of more than 5 percent over last year, a modest increase in investments and her dismantling of the economically oppressive monopoly structure set up under the deposed president, Ferdinand E. Marcos.

However, Mrs. Aquino acknowledged that the economic gains had been set back by the "public reac-

tion to the Aug. 28 coup attempt—the reaction, let me emphasize, not the coup attempt."

After the attempted takeover, the government became embroiled in a bitter round of recrimination that led Mrs. Aquino to fire her two closest cabinet aides.

Mrs. Aquino conceded that the coup attempt "reveals a fissure in the military—that is true." But she asked her audience to remember that the majority of the armed forces remained loyal to her government and that the coup attempt was quickly crushed.

**Spanish Dissident Quits Party Post**  
*Reuters*

**MADRID**—The most vocal dissident in Spain's governing party has resigned after accusing a party leader of being involved in a real estate deal with a rightist politician.

Pablo Castellano resigned Monday as head of the Socialist Left faction of the Socialist Workers Party to avoid involving the party in controversy, a party spokesman said.

The politicians alleged to have been involved in the property deal have threatened to sue Mr. Castellano for his accusations.

# WORLD BRIEFS

**Lebanon Assembly Re-elects Speaker:**  
**BEIRUT (AP)**—Hussein Hussaini, a Shiite Muslim, was re-elected speaker of the Chamber of Deputies on Tuesday for a fourth one-year term.

The election was held amid heavy security around the parliament building, near the line that divides Beirut's Muslim and Christian sectors. Mr. Hussaini, a pro-Syrian politician who was first elected speaker in 1984, was the only candidate. An official statement said 51 of the 67 deputies present voted for him. One deputy abstained and 15 cast blank ballots.

Also Tuesday, schools throughout the country closed as Lebanon's 27,000 teachers began a strike, demanding wage increases.

**UN Is Made Scapegoat, M'Bow Says**  
**PARIS (Reuters)**—Amadou Mahtar M'Bow of Senegal, defeated for a third term as head of UNESCO, accused his critics Tuesday of trying to make the United Nations a scapegoat for the world's political problems.

Mr. M'Bow, director-general of the United Nations Educational, Scientific and Cultural Organization for 13 years, defended the UN. He made no direct reference to his defeat by a Spanish biochemist, Federico Mayor Zaragoza, who was nominated for the leadership on Sunday after a divisive election. The general conference of UNESCO must now approve the board's nomination.

The conference has in the past always accepted the board's recommendation but diplomats say some of Mr. M'Bow's African supporters may attempt to overturn the nomination.

**Jamaican Suspects Held in U.S. Sweep:**  
**WASHINGTON (AP)**—Law enforcement officials said Tuesday that they had arrested more than 100 Jamaican-American gang members in a sweep of 13 states and the District of Columbia. The groups, known as the Jamaican Poses, "are probably this country's most violent" organized crime gangs, said Stephen E. Higgins, director of the U.S. Bureau of Alcohol, Tobacco and Firearms.

Mr. Higgins said at a news conference that the Jamaican Poses, which take their name from television Western shows, had been connected to more than 600 drug-related murders and to kidnapping, narcotics trafficking, gun trafficking, robbery, assault and money laundering.

He said that 118 suspects had been taken into custody since the sweep began Monday afternoon. Officials expect more than 200 of the gang members to be arrested by the time the sweep ends Wednesday.

**Karpov Resigns Adjourned Game**  
**SEVILLE, Spain (AP)**—Anatoli Karpov, the challenger in the world championship chess match, here resigned the adjourned fourth game Tuesday without returning play, the chief arbiter announced.

The game was adjourned Monday night with Garry Kasparov, the titleholder, two pawns ahead.

Mr. Kasparov's victory evens the score of the match at two points each. The winner of the 24-game series will be the first player to score 12 and a half points or achieve six victories. In the event of a 12-12 tie, Mr. Kasparov will retain his title.

**GAME 4 ENGLISH OPENING**

White	Black	White	Black	White	Black
Kasparov	Karpov	Kasparov	Karpov	Kasparov	Karpov
1. e4	Nf6	15. Rf4	e6	29. ecd5	R3e7
2. Nc3	e5	16. Rd1	Qe5	30. Rf1	b3?
3. Nf3	Nc6	17. Qd3	Rd7	31. J4	e5?
4. d4	Bd4	18. Nf5	Rf5	32. Bf5	R7?
5. Bg2	O-O	19. Rd5	Qe6	33. e5	Kf6
6. O-O	e4	20. Qd4	R7	34. Bd3	Rb7?
7. Ng5	Bxc3	21. Qb4	Nd7	35. Rxb7	Rc3?
8. Bxc3	Rd8	22. Rb3	Nb8	36. Bb5	Ra3
9. B3	ed3	23. Rb5	Qe5	37. Rxb7	Np7?
10. Nd3	Qe7	24. d4	Qe4	38. Rd7	Nc5?
11. e3	Ne5	25. Qxe4	Rxe4	39. Rxd4	Kf5
12. Nd4	Nc3	26. Nc7	Ra3	40. a6	Ra3
13. Qe2	Nxc1	27. a5	Ra8?		
14. Rxc1	d6	28. Rb7	cd5		

Black resigns.

**Moscow Holds Key, Peres Aide Says**  
**JERUSALEM (Reuters)**—An aide to Foreign Minister Shimon Peres of Israel predicted Tuesday that Prime Minister Yitzhak Shamir would accept an international Middle East peace conference if Moscow allowed Soviet Jews freedom to emigrate.

"If there is a significant change on the Jewish problem, there will not be a government in Israel that could say no to involvement in the peace process," said Yossi Beilin, director-general of the Foreign Ministry.

Mr. Shamir has repeatedly rejected a conference, saying its sole aim would be to force Israel to withdraw from captured Arab land to borders that are indefensible. He and Mr. Peres, leaders of rival parties, are partners in a three-year-old government coalition.

**Poles Will Free Danes for \$500,000**  
**WARSAW (UPI)**—A government spokesman said Tuesday that two Danes recently sentenced to long prison terms for spying can be freed with a payment of \$500,000.

The spokesman, Jerzy Urban, said a military court in Koszalin "set a bail of a half million dollars for the freeing of two Danish spies." Poland has in the past accepted payments for the release of convicted agents.

Jenssen Ellekaer, 36, was sentenced to nine years and Niels Hemmingsen, 23, seven years on Sept. 5. Mr. Urban said the two, caught taking photos of military airports, had admitted they were members of the Danish intelligence service.

**Ex-Soldier Finds Daughter in Vietnam**  
**BANGKOK (AP)**—A former U.S. Army medic, Barry Huntoon, flew Tuesday to the United States on the daughter he fathered in Vietnam 15 years ago and recently rescued from a life of selling peanuts on the beach.

Mr. Huntoon, now married with three children in the United States, met his half-Vietnamese daughter, Tran Thi Tuyet Mai, for the first time Oct. 12, when he went to Ho Chi Minh City, for the first time.

He lost all contact with Mai and her mother in 1975, when the war ended, until he saw Mai's photograph in Life magazine two years ago. Contacts in the Philippines and Vietnam helped locate the girl in Vung Tau, where she was selling peanuts on the beach. The girl's mother is also expected to leave Vietnam soon.

**For the Record**

**Kidnappers in Italy freed a clothing dealer late Monday, 19 days after they seized him from a sales room in Ercolano, just south of Naples. The police said the merchant, Gerardo Cozzolino, 26, was released in Casoria, on the outskirts of Naples. Unconfirmed reports said Mr. Cozzolino's family paid a ransom of 400 million lire (\$311,000).** (UPI)

**Nasser Hassan al-Ali, a Palestinian who attempted to plant a suitcase bomb on an Israeli airliner last year in Madrid, was sentenced Tuesday to 47 years in prison by a Madrid court.** (Reuters)

**The death toll in the crash of two commuter trains in Indonesia grew to 162 Tuesday, with 270 people hospitalized. A rescue official said the toll could reach 200.** (UPI)

# TRAVEL UPDATE

**Australian Unions Ban Fiji Flights**  
**MELBOURNE (AFP)**—Australian trade unions decided Tuesday to ban international flights between Australia and Fiji beginning Nov. 1 at the request of Fiji's unions, which charge they are being persecuted by the new government.

The bans would apply to Qantas, which operates three flights a week, Canadian Pacific and Fiji's national carrier, Air Pacific, according to Sean Crean, president of the Australian Council of Trade Unions. The council includes about 20 organizations.

The government of Colonel Sitiveni Rabuka, which took control of Fiji in a coup Sept. 25, has been accused of persecuting union officials. Mr. Crean said the two-week grace period was designed to allow tourists to leave Fiji.

The Prado Museum in Madrid was closed Tuesday at the start of a two-day strike by staff over pay, a museum spokesman said. (Reuters)

Moscow's four main airports handling both international and domestic flights have been closed for two days because of fog, leaving more than 19,000 passengers stranded in two domestic terminals since Monday, the official Tass press agency said Tuesday. (UPI)

**Assad Visits Bulgarian Leader**  
*The Associated Press*

**VIENNA**—President Hafez al-Assad of Syria arrived Tuesday in Bulgaria for talks with Todor Zhivkov, the Bulgarian president and Communist Party leader.

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**DEATH NOTICE**

**CARDWELL**, on October 18, Hugh Maitland Elliott, Formerly New School, Rome. Donations for Ken Gardner, to his daughter, Patricia Cook, Burgate Farm, Harwood Dale, Scarborough, Yorkshire.

**U.S. Dem Reagan to In Econ**

**Bush, in G Toward Pe**

**WORLD STOCKS IN REVIEW**



# J.S. Democrats Urge Reagan to Join Them in 'Economic Summit'

By Tom Kenworthy  
Washington Post Service  
WASHINGTON — Democratic congressional leaders, responding to the Reagan administration's proposal to join them in an "economic summit" meeting to resolve the nation's budget impasse and avert economic problems.

Nonetheless, a new round of negotiations broke out between Capitol Hill and the White House. Democratic plan to raise taxes, even as lawmakers from both sides said the summit on the stock market necessitated an end to the partisan squabbling that has marked this year's debate over the nation's budget and trade deficits.

The House speaker, Jim Wright, called for an end to "partisan political posturing, finger-pointing and blame placing." The Texas Democrat urged President Ronald Reagan to join Congress in "convening an economic summit without crippling preconditions, to deal with America's long-term structural problems."

The Senate Democratic majority leader, Robert C. Byrd of West Virginia, urged Mr. Reagan "to get on to reality" by negotiating with congressional leaders on the deficit to "show the American people and investors all over the world that this government is capable of doing it."

The chairman of the Senate Budget Committee, Lawton Chiles, Democrat of Florida, introduced a resolution calling for such a summit meeting that included a long agenda of economic concerns including the fiscal and trade deficits, dollar stabilization, and reduction of Third World debt.

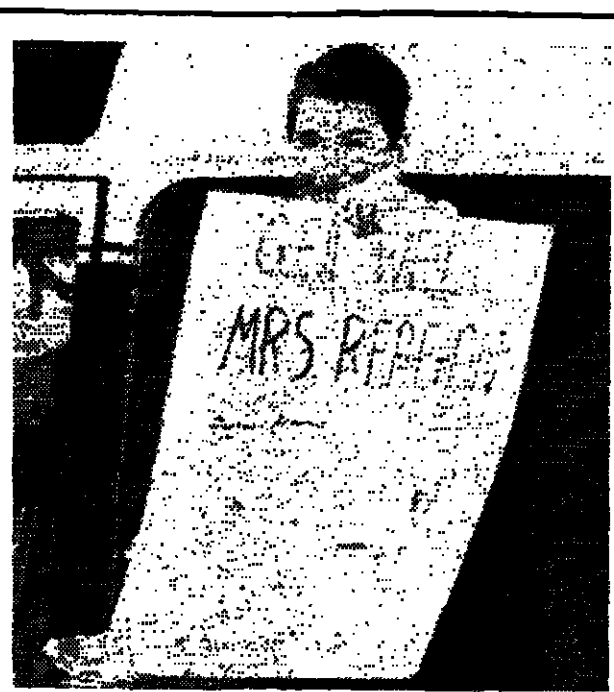
Senate Republicans reacted coolly to Mr. Chiles' resolution, calling it too broad, but even Minority leader Bob Dole, a Kansas Republican, urged that a high-level conference be convened to deal with that deficit out there (that) is public enemy number one.

However, in an appearance before the House Budget Committee, he laid out details of \$23 billion worth of across-the-board budget cuts that began taking effect Tuesday. White House budget chief James C. Miller 3d reiterated Mr. Reagan's position that he would not participate in budget negotiations with Congress if a tax increase is part of the agenda.

"It's a very bad situation and I don't think the President is in the mood to do that right now, although he might change his mind," said Mr. Miller. "If you've got taxes on the table, the president wants off."

The budget chief also held to the argument, first put forward over the weekend by Treasury Secretary James A. Baker 3d, that the push for higher taxes and "protectionist" trade legislation by the Democratic-controlled Congress had contributed to the dislocations on world markets.

His repetition of the administration's consistent hard-line rejection of any tax increase angered Democratic members of the budget panel. They promptly voted on legislation that partially vetoed this year's \$23 billion deficit-reduction target by raising \$12 billion in taxes and saving another \$4.7 billion through changes in federal spending policies.



EXECUTIVE GREETINGS — President Ronald Reagan arriving at Bethesda Naval Hospital to visit his wife, Nancy, Mrs. Reagan was "recovering very well" from her breast cancer surgery, a White House spokesman said Tuesday, and may go home by the end of the week.

## AMERICAN TOPICS

### Women Firefighters Contest Physical Tests

U.S. fire departments have been hiring women for the past decade. Today, the 218,000 paid firefighters in the United States include 1,500 women, or less than seven-tenths of 1 percent. But the number of women has tripled since 1983, according to estimates by Women in Fire Suppression, which supports women firefighters.

The New York Times says that perhaps the most contentious issue over hiring women involves tests of physical speed and strength. In New York City, applicants are tested, among other things, on how long it takes them to drag a 50-foot (15-meter) hose 75 feet, carry a 46-pound (20-kilogram) hose up three flights of stairs and crawl through a 25-foot tunnel. The New York Supreme Court has ruled that the test is valid. But hiring procedures are

### Short Takes

Richard Arrington Jr., the first black mayor of Birmingham, Ala., still being litigated in Cleveland, San Francisco and elsewhere.

Lauren Howard, who for years was the only woman in the Chicago fire department, said: "You have to ask yourself, if it was your child or mother, who do you want to go and get her down the ladder? Do you want somebody big, incredibly strong, extremely fast, or someone who is average?"

Linda Willing, a firefighter in Boulder, Colorado, is 5 feet 4 inches (1.64 meters) tall and weighs 112 pounds. She concedes she does not do some things well because of her size. But that same size means that "I'm the first one in to attic fires" and "I can stay longer in a fire than almost anybody I know — a lot of these big guys deplete an air pack in 10 minutes."

### Women Firefighters Contest Physical Tests

According to a survey taken in 1985, about 11,000 high school youngsters were taking Japanese. The Washington Post says in an editorial, "That's more than most people would have expected, and Japanese instruction is expanding rapidly. But that number still represents well under one-tenth of 1 percent of the country's high school enrollments." The Post says the vast flow of transactions between the two countries "moves through an astonishingly small number of in-

terlocutors who know both languages, and at these crucial points of contact it is far more likely to be the Japanese partner who is bilingual."

### Women Firefighters Contest Physical Tests

Kevin Sweeney, press secretary to Gary Hart when the former Colorado senator was the leading contender for the Democratic presidential nomination, is now a waiter in a San Francisco restaurant. He makes occasional paid lectures, and says he has been offered posts in other political races in the \$50,000 range, but cannot work up the required enthusiasm for the candidates. Mr. Sweeney, 29, says he is undergoing a kind of intellectual decompression, reading George Orwell's "Down and Out in Paris and London" and being reminded of "the unbelievably liberating qualities of abject poverty."

In New York's Bowery neighborhood, long a haunt of defectors, Jonas Prager told The New York Times he saw someone carrying this sign: HELP SUPPORT RESEARCH ON THE IMPACT OF WINE ON THE HUMAN BODY — ARTHUR HIGBEE

## Nicaragua Bars Catholic Radio From Broadcasting News

By Stephen Kinzer  
New York Times Service

MANAGUA — The government has forbidden Nicaragua's newly reopened Roman Catholic radio station to broadcast news.

The station's first news program was to be broadcast at noon Monday, but employees said they were told late in the morning that any such transmission would be illegal.

associated with the anti-Sandinist opposition, and the radio station's director, the Reverend Bismarck Carballo, has had several clashes with the authorities.

Under terms of the new Central American peace accord, the government must guarantee "full freedom for television, radio and press" by Nov. 7. It would require other countries to stop aiding the rebels who are fighting to overthrow Sandinist rule.

Thus far, the government has taken two steps toward press freedom, permitting Radio Católica, the Catholic station, and the opposition newspaper, La Prensa, to reopen.

A spokesman for the Interior Ministry had no comment.

The station once broadcast a regular news program, but the government ordered it to stop in 1982. From then until the station was closed four years later, it broadcast only veiled political commentary, often in a religious context.

Much of the station's programming is religious, but several programs were planned.

The government has not acted on a series of petitions to allow

other radio news programs to resume.

Nor has the opposition made any apparent progress in its effort to win a license to establish its own television station. A group of anti-Sandinist business leaders is seeking foreign aid to support such a station.

The peace accord requires an end to the state of emergency by Nov. 7. Senior Sandinist leaders have said repeatedly they intend to comply with all their obligations under the accord.

Last week, Oscar Arias Sánchez of Costa Rica, author of the new peace accord, said that the Sandinists would not be complying with the accord if they refused to allow a non-Sandinist television station.

The peace accord requires an end to the state of emergency by Nov. 7. Senior Sandinist leaders have said repeatedly they intend to comply with all their obligations under the accord.

## Unfulfilled Promises Erode Confidence in Latin Democracies

By Bradley Graham  
Washington Post Service

BUENOS AIRES — The euphoria with which South American nations welcomed democracy's sweeping return earlier this decade has given way across the continent to frustration and disappointment with the results so far.

While popular support for democratic rule remains strong, public unhappiness with the way the new democracies are being managed has grown and begun to worry many inside and outside government.

They rank among those most disgruntled with the way things are going. Some officers in Ecuador and Peru, in particular, make no secret of their wish to renege power to restore a sense of stability.

U.S. officials, whose encouraging words and nods have been interpreted as green lights for military takeovers in the past, continue to make clear their support for today's insecure democracies. Quiet U.S. diplomacy may have been decisive recently in forestalling coup plans in Ecuador.

Latin American nations, is seeing its urban slums wracked by violence, its countryside unsettled by land conflicts and its health and education services decayed by neglect.

Even established democracies are under strain. Colombia, home to drug barons, leftist guerrillas and rightist assassination squads, is convulsed by the highest incidence of peacetime violence in the hemisphere. Venezuela, its oil wealth diminished, is having to learn to live within tighter constraints.

## Bush, in Gamble, Edges Toward Political Center

By Gerald M. Boyd  
New York Times Service

WASHINGTON — Vice President George Bush, in an unorthodox political gamble, has begun to move toward the political center of the hope of capturing the Republican nomination, aides and analysts say.

The shift, evident as Mr. Bush formally announced his candidacy last week, is already fueling a new round of debate over the true political attitudes of the vice president as he now tries to convey.

Although it was clear from the outset that he was seeking to present himself as a moderate, it is far less clear from the specifics of those speeches where he was trying to place himself on the moderate-conservative spectrum.

My sense of it is that he is portraying himself as a moderate who wants to continue the basic mission of the Reagan revolution with no radical departures," said William Schneider, a political analyst with the American Enterprise Institute, a Washington research group. "The subtext of the message is that he will pay some attention to the errors."

vice president in the first week of campaigning was designed to indicate differences in how he would lead the country, compared with Mr. Reagan's approach.

Mr. Bush included in the announcement speech the statement that "a president can set a tone, an atmosphere, a mood," and he went on to call for a new harmony among the races and greater tolerance.

One adviser said: "What Bush said wasn't conservative or liberal, it is how the Republican Party ought to sound. It is how the Republican Party ought to be."

But some political analysts say Mr. Bush has rekindled the debate over his own political leanings, in which he has been presented at varying times as a moderate and a conservative.

### Former Reagan Official Tells of Slurs

The Associated Press

WASHINGTON — President Ronald Reagan's first secretary of education, Terrell H. Bell, says in a new book that midlevel administration officials made racist jokes and other "scorplings" remarks during discussions on civil rights.

Mr. Bell said, "I do not mean to imply that these scurrilous remarks were common utterances in the rooms and corridors of the White House and the Old Executive Office Building, but I heard them when issues related to civil rights enforcement weighed heavily on my mind."

Mr. Bell left the cabinet at the end of 1984 after four years. He is now a professor at the University of Utah.

A White House spokesman, Martin Fitzwater, asked Tuesday whether there had been racist remarks, said: "I certainly haven't heard of any, and I think that would be wrong and, frankly, I don't believe it."

Mr. Bell's book is entitled "The Thirteenth Man: A Reagan Cabinet Memoir." In it, he says that he was confronted with "evidence of apparent bias among midlevel right-wing staffers at the White House and at OMB," the Office of Management and Budget. "I was shocked to hear their sick humor and racist clichés."

WORLD STOCKS IN REVIEW  
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# International Business Message Center

# Attack Is Called Signal of U.S. Will in Gulf

By Lou Cannon and David B. Ottaway  
*Washington Post Service*

WASHINGTON — The U.S. destruction of an Iranian oil platform Monday was intended as a signal that the United States has the political will to defend its interests in the Gulf, according to administration officials.

But the officials acknowledged that the action, while apparently acceptable to all factions within the administration and to Congress, left open the question of whether it would set off an escalating series of retaliatory attacks.

White House officials said President Ronald Reagan had insisted on retaliation but wanted a response that could be taken "without putting our people at risk."

A White House official said, "It was the president who was quite firm that Iran had not attacked a U.S. warship and our response should be something less than a major escalation of the conflict.

These officials said retaliation was first urged by Admiral William J. Crowe Jr., chairman of the Joint Chiefs of Staff, who met Friday with Mr. Reagan.

Admiral Crowe recommended that "it was necessary to take a military action that would result in damage to Iran's military capability; it should not simply be symbolic," said a Pentagon official familiar with the internal discussions.

Arab and administration sources said both Kuwait and Saudi Arabia were urging the United States to take "firm action" and would have liked to see a U.S. strike on the Faw Peninsula, from which the Iranians fired the Chinese-made Silkworm missile that struck the Sea Isle City, anchored in Kuwaiti waters.

But an U.S. official insisted that these Arab nations were "not displeased" and realized that Faw presented a difficult problem because it is inside Iraqi territory held by Iran.

Officials said that the option of

shelling the oil derrick, while limited, was acceptable because "it destroyed a radar operation that has been very bothersome in the Gulf," they said.

They said the Pentagon had also recognized that there were "military complications" in taking out the Silkworms because of their mobility. There had even been indications that they were being moved from their launching sites on the peninsula.

In selecting an Iranian target in international waters, the administration avoided enlarging its commitment either to the direct defense of Kuwait or to U.S.-flag ships based within Kuwaiti territorial waters.

The administration has not devised a policy for dealing with this "gray area" threat to U.S. shipping, apparently hoping instead to deter further attacks on U.S. ships inside Kuwaiti waters by showing Tehran through its destruction of the oil platform that there is "no free lunch" for aggressive actions.

Officials said that the option of

# Shultz Reports No Major Progress in Mideast Swing

By Don Oberdorfer  
*Washington Post Service*

HELSINKI — The U.S. secretary of state, George P. Shultz, said Tuesday that he had made no major progress toward restarting the peace process in five days of discussions in the Middle East.

His comments, while en route to U.S.-Soviet meetings in Moscow on Thursday and Friday, reduced the already slim chances for diplomatic momentum between Arabs and Israelis in the remaining 15 months of the Reagan administration.

"I think we're a little ahead, but I really can't point to much on the peace process," he said, in summing up his personal diplomacy since Friday with Israeli, Saudi and Egyptian leaders in their capitals and with King Hussein of Jordan on Monday night and Tuesday in London.

"Realistically," he said, "I can't point to any particular thing that would mature forward."

Mr. Shultz said that "we will

keep working at it," but his inability to produce a breakthrough or even toward a breakthrough or even the "creative ideas" he had hoped to find left little optimism that lower level or less intense U.S. efforts could jar the parties toward a drive for a broader peace.

Restarting and extending the Middle East peace process, especially to deal with the future status of the Israeli-occupied West Bank and Gaza Strip, was the first and one of the most ambitious efforts of Mr. Shultz's tenure as secretary of state.

But after a surprise announcement on Sept. 1, 1987, of a Shultz-initiated "Reagan plan" for Middle East peace, the plan bogged down in the Lebanon conflict and seemed almost to evaporate after the U.S. pullout from Beirut in early 1984.

Given the priority of U.S.-Soviet relations, the Gulf and Central America, the Middle East trip was considered by many to be Mr.

# INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 20th Oct. 1987

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ARTS / LEISURE

Ovation for Short, Snug Ungaro

By Bernadine Morris
New York Times Service
PARIS — Emanuel Ungaro Tuesday became the first designer to receive a standing ovation during the week of spring and summer fashion openings.

which are minis with ripling over-skirts. It is an anomaly in a time when women are entering the professions and driving trucks that such fantasy clothes would have so much appeal.

PARIS FASHION

The surprise is that in this time of liberated women such old-fashioned seductive styling would exert such a pull.

Retainers, including Kal Rutenfranz of Bloomingdale's, said they expected to barrel the clothes out by the carload as soon as they arrived in their stores.

The designer has been working along these lines for some time. But these are surely the smallest, most draped styles he has ever presented.

Men's wear checks and plaids in black and white mingled with the typical floral prints in what Ungaro calls "Dues for One."

Evening gowns have ruffles, puffs or gathered swags of fabric at the hem, except for the ballgowns

Valentino, the Rome designer, showed clothes that looked relatively conservative. He threw a high gloss over fashion's new short shapes, but he offered the wearer the chance to breathe. Fabrics looked luxurious and the detailing was wisely toned down.

He opened his show with the tailored suits for which he is famous. In glen plaids or white linens, his suits were sparked with tawny tiger stripes or leopard spots in blouses or belts.

Dresses in tiny flower prints have swirly tiered skirts, some with hems dipping to cover the back of the knees.

The short styles are so peppy and good humored, they make the long evening dresses look heavy. His customers need them for balls and embassy parties, Valentino said.

Short as it is, the Christian Dior collection misses. Despite shots of strong color, it looks somber. Even the sun and flower motifs do not lift the mood.



Ungaro showed the shortest skirts in Paris.



Photographs by Jon Dorsey

Brilliant, Lyrical Duet for an Odd Couple

By Sheridan Morley
International Herald Tribune
LONDON — Tom Kempinski's "Separation," at the Hampstead, confirms that theater on its victorious path.

than mentally, but about to star in his play, and therefore on the telephone in search of advice. For most of the evening the two only converse by long-distance.

spiky, edgy, fragile actress give in Michael Aitkenborough's fluent production two of the most brilliantly touching performances of the year.

THE LONDON STAGE

with "Entertaining Strangers," first performed by 200 amateurs in Dorchester two years ago. Now it is played by a cast of 30 professionals in a kind of walkabout arena setting through which members of the audience can wander.

here he deals with another great 19th-century saga. This one in concerned with the West Country struggles between conservative religion (as represented by Tim Figgott-Smith's obsessive parson) and free-thinking capitalism (as personified by Judi Dench playing a fiery female brewer).

Peter Hall's production has its epic moments, not least the arrival of the first train in the town and then the sudden shocked realization that cholera has come there too. But, stripped of its original location and moved from a Dorset community hall to a London theater, the script seems to hover between a pageant and a play.

There is a theory, largely sustained by the kind of people who see French examinations in schools, that Molière's "Le Malade imaginaire" is a major classic in need of constant attention. In reality it has been for more than 300 years a

thoroughly shaky little one-joke play about a fanatical hypochondriac trying to marry off his daughter to a doctor. Nothing in Nancy Meckler's often inventive but oddly humorless production for the Lyric Hammersmith can patch over the cracks that Molière himself used to fill in for the original staging with a lot of daft ballets.

In Alan Drury's translation as "The Hypochondriac," one already used by the National, Meckler updates the setting so we first encounter the bedridden Argan working out on a computer his current medical bills. After a somewhat shaky first-night start the production settled into a kind of manic, anachronistic farce held together where possible by Tom Courtenay's wry, pasty-faced patient forever at the mercy of his appalling wife, and the pines and crooks whom Molière reckoned adequate representation of the medical profession.

DOONESBURY



MRS. D, I KNOW YOU WERE A BIT RELUCTANT TO GO OUT WITH ME, BUT ONCE YOU GET TO KNOW ME, YOU'RE WELL, IT'S OFF!



I MEAN, I KNOW THAT I MARCH TO A DIFFERENT KETTLE OF FISH...



BUT AREN'T THOSE JUST TROOP CLICHES? VERY NEARLY, DEAR.

Advertisement for Guinness Stout featuring a bottle of Guinness and the slogan "Tough act to follow."

Advertisement for the International Herald Tribune offering a 40% discount on newsstand price for 12 months.

Subscription form for the International Herald Tribune with fields for name, address, country, and payment method.

WORLDWIDE ENTERTAINMENT

Advertisement for the 25th Festival International de Danse de Paris, listing various ballet companies and venues.

INTERNATIONAL BUSINESS OPPORTUNITIES

Advertisement for a Golden Opportunity in Switzerland, offering a high-profit service company.

Advertisement for Indonesia's Most Important, offering a gem and jewelry company.

Advertisement for International Gemmological Institute, offering diamond and colored stone courses.

Advertisement for Gould House Business Centre, offering office space and services.

Advertisement for International Business Opportunities, appearing every Wednesday.



INTERNATIONAL Herald Tribune

After Black Monday

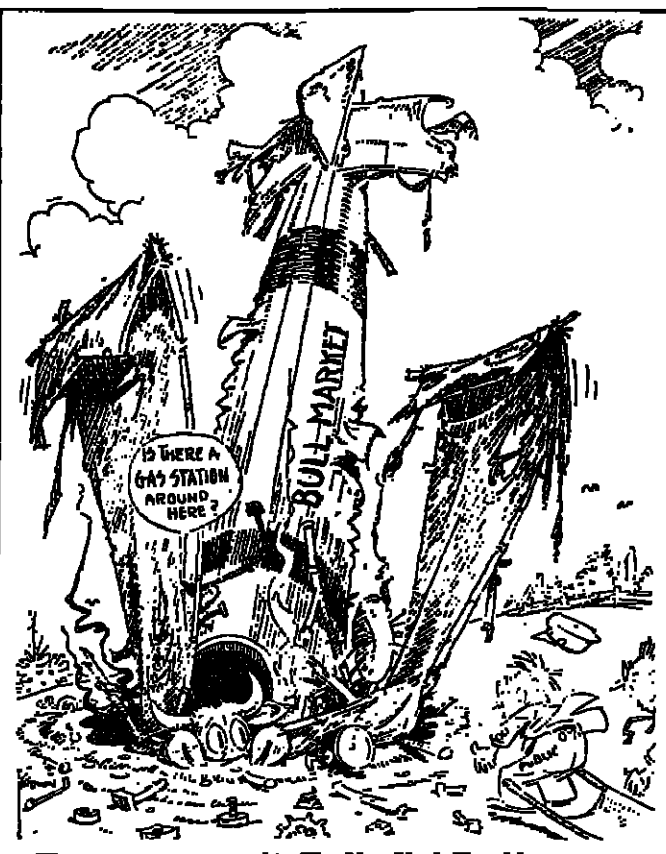
Testing the Fire Walls

Now the world will learn about the fire walls between the stock market and the real economy of jobs, incomes and production...

The past week's crash is, among other things, an intelligence test. It will show whether the United States, Japan and Western Europe are capable of understanding what has happened and of working together to deal with the consequences...

Alarms Are Wailing

With stock prices down 22 percent in a day and foreign investors racing for the exits, Oct. 19, 1987, ranked by most measures as the worst day in Wall Street's history...



This cartoon appeared in The New York Herald in Paris on Nov. 12, 1929, two weeks after the Wall Street crash of Oct. 29.

A Lot of Valuable Stock Is Suddenly Less Expensive

WASHINGTON — It is said that public officials seeking advice are usually just seeking accomplices. However, in times of turmoil they actually want advice...

Today's situation is this: Increasing the supply of dollars might not drive down interest rates. Rather than remaining in the United States, investors in stocks and bonds, new dollars might flow abroad because of a (for the moment) unlimited demand for non-dollar-denominated assets...

Events are, at bottom, political, as the stock market plunges. It dramatizes the huge psychological component of all social arrangements. Everything, from the value of economic instruments (currency, stocks, bonds) to the authority of government rests on a willingness of the public to believe...

collapse of that belief can cause our lives' works to evaporate. Although awfully costly, it is probably profoundly good for the nation to be forced to face the fact that the foundations of its arrangements are matters of (quite literally) faith...

By George F. Will

OPINION

International Cooperation, Now

WASHINGTON — It was the Reagan revolution come full circle: The excesses of six years, visible in near-\$200-billion-a-year deficits in both the budget and trade, could not go on forever...

By Hobart Rowen

collapse, as it cascaded through the exchanges in New York, London, Tokyo and elsewhere, has been met with governmental denial reminiscent of 1929, when tycoon James P. Morgan tried to reassure the world by saying, "My son and I are buying sound common stocks..."

We can emerge from panic only if government leaders of the free world are able to see that while underlying conditions are not so grim as those prevailing in 1929, there is plenty wrong that needs to be addressed. Clearly, in a fear-driven atmosphere, the markets, having skyrocketed too far, have overshot in the other direction...

Sick From Predigested Market Analysis

IT COULD be that a critical mass of big investors has concluded that a major U.S. recession is now becoming inevitable. The Louvre accord on currencies is visibly crumbling, the dollar is losing its support...

Out beyond Wall Street there is a country on which Wall Street depends, absolutely. Out there men and women are making things. And out in the larger world there is an enormous pool of money seeking profitable investments...

More than ever, the global economy needs the restorative force of growth. fighting must be abandoned to assure the defeat of protectionist legislation. More than ever, the global economy needs the restorative force of growth...

By Michael Leiter

A Summit Puzzle Embarrasses ASEAN

LONDON — As December draws near, the six governments in the Association of Southeast Asian Nations face a difficult decision about whether to go ahead with plans for a summit meeting in Manila...

ASEAN meeting could be used as a tool by those who are seeking to remove Mrs. Aquino from office. Disorder could be orchestrated by the right to discredit the president during the meeting; or the more aggressive forces of the left might see an advantage in a spectacular strike, such as an attempt to kill an ASEAN head of government...

Political conditions in the Philippines in the last years of the Ferdinand Marcos regime led to a postponement of a meeting. His fall from power in February 1986 and the accession of Mrs. Aquino gave ASEAN leaders an opportunity to make a show of faith in the association as it enters its third decade...

More than ever, the global economy needs the restorative force of growth.

Don't Back Away Now

Even an armada of American and allied ships in the Gulf has not deterred Iranian attacks, as the Reagan administration hoped. It would be unwise to assume that Monday's U.S. raid on Iranian oil platforms will end the matter...

By Abraham Rabinovich

Jerusalem — A green pulse of light in the Mediterranean 20 years ago today signaled a new naval era, one whose ramifications have been painfully felt by U.S. warships in the current crisis in the Gulf...

By Lee W. Huerfner

100, 75 AND 50 YEARS AGO

1887: Russia Fortifies PARIS — Russian engineering officers are rapidly completing the system of defensive fortifications of the western frontier planned some years ago...

1937: A Buying Spree

NEW YORK — Following yesterday's late rally, the stock market bounded upward today in a scramble of buying which kept up at breathless pace. The Dow Jones average for industrial stocks steadily nearly eight points...

1912: Wilson Leads Poll

NEW YORK — The fourth installment of the Herald's nation-wide canvass of the political situation indicates that Governor Woodrow Wilson is well in the lead for the Presidency, with Theodore Roosevelt second and President W.H. Taft third...

INTERNATIONAL HERALD TRIBUNE

John Hay Whitney, Chairman 1958-1982. KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER. Lee W. Huerfner, Publisher. JOHN VINCIGUERRA, Executive Editor...

Missiles at Sea: It Started With a Green Flash Over Port Said

By Abraham Rabinovich

Jerusalem — A green pulse of light in the Mediterranean 20 years ago today signaled a new naval era, one whose ramifications have been painfully felt by U.S. warships in the current crisis in the Gulf...

met a Syrian force off the Syrian port of Latakia. After sinking a torpedo boat and minesweeper, the Israelis turned toward three Syrian missile boats whose Styxes had twice the range of the Israeli Gabriel missiles...

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MARKETS IN TURMOIL: Record falls on Asian and European exchanges

Plunge Continues in Europe But Rally Cuts Some Losses

Compiled by Our Staff From Dispatches PARIS — Strong selling continued to buffet European stock markets on Tuesday. Losses were cut after New York stocks began to rally, but the plunge continued later on most markets.

The key index of the London Stock Exchange plunged by a record 12.22 percent, but elsewhere losses were kept to single figures. The Paris Bourse managed a gain, though of less than 1 percent.

London

Shares finished drastically lower, setting several new records in the most volatile and active trading day in the history of the exchange.

The Financial Times 100-share index, which was headed toward a drop of 300 points at one stage, lost 250.70 points for the day, closing at 1,801.60.

Tuesday's performance was even worse than Monday's, when the index skidded 249.50 points, or 10.84 percent of its value.

Shares plunged a record amount in the morning, then staged an unprecedented same-day rally in the afternoon, only to plummet again later in the day.

Morning trading was made more convulsive by news that British bank lending in September rose by \$4.4 billion (\$6.06 billion), exceeding market expectations.

Volume was 1.19 billion shares, compared with 837 billion shares Monday, and exceeding the previous record of 1.15 billion set June 12.

The midday rally followed a statement by the chairman of the U.S. Federal Reserve, Alan Greenspan, that the Fed is ready to provide liquidity to support the economy and the financial system.

News that two major U.S. banks had cut their prime lending rates also boosted stock prices, many dealers said, and the recovery accelerated when Wall Street soared at its opening.

But many investors saw the rebound as an excuse to take profits, brokers said, and selling continued. Their Wall Street turned around as well and London shares slumped.

Analysts said comments by Sir Nicholas Giddison, chairman of the London Stock Exchange, that there was "no rational reason" for the recent heavy market fall helped to stem the selling wave.

Remarks from West Germany's

finance minister, Gerhard Stoltenberg, that he could not rule out central bank action to support currencies also encouraged investors, dealers said.

Paris

French share prices recovered on news of a firmer start to Wall Street trading and a cut in U.S. prime rates.

The CAC index, the main indicator of performance on the Paris Bourse, rose 0.79 percent on Tuesday after plunging 9.7 percent on Monday.

Prime Minister Jacques Chirac appealed to French investors Tuesday not to panic after share prices fell in the morning.

Concerted buying by French state-owned financial institutions helped prop up prices and stem a selling wave by small investors at the bourse opening, banking sources said.

On the fledgling financial futures market, known as MATIF, trading was suspended twice because the recovery in prices was so strong that it breached the limit set for an individual session, even though the limit had been doubled for the day.

Frankfurt

Shares on the Frankfurt exchange closed mostly lower, but there was no clear trend among leading stocks, many analysts said.

Some of the most heavily traded shares continued to suffer from Monday's rout, falling 10 percent or more, dealers said.

The Commerzbank index slid 74.70 points, or 4.28 percent, to close at 1,669.40.

On Monday, the index plummeted a record 132.5 points, or 7 percent, to 1,744.10. The previous largest drop was a 98.5-point decline on Jan. 28, 1987.

Daimler-Benz, the car maker, plunged 47 Deutsche marks, to 593 DM, while Deutsche Bank dropped 37 DM to finish at 528 DM.

Elsewhere

In Zurich, where prices fell by more than 11 percent on Monday, the stock exchange postponed its opening for half an hour and suspended temporarily the rule that halts trading in a share if it drops more than 10 percent, an exchange spokesman said.

In Italy, the stock market regulatory body Consob delayed by one hour the opening of the Milan

bourse and nine other stock exchanges after Monday's record falls.

The Milan MIB index finished 38 points lower, or 4.45 percent, at 815, compared with 853 on Monday.

Margin trading on the Madrid bourse was suspended.

The Madrid general index fell 16.35 points, or 5.4 percent, to close at 286.16, against 302.51 on Monday.

Dutch share prices continued Monday's slide as mainly private investors dumped stock, while institutional players snapped up some bargains, dealers said.

The Amsterdam ANP-CBS general fell 22.50 points, or 8.4 percent, to close at 245.50, against 268.00 at Monday's close.

In Stockholm, dealers said the bourse suffered its worst day. "We thought we had been spared the panic which hit Wall Street, Tokyo and London in the past few days," one dealer said, "but it's a free-fall here now."

The Stockholm Affarsvarlden index fell 63.40 points, or 7.01 percent, to finish at 840.90. On Monday, the index fell 61.80 points, to 904.30.

(AP, Reuters, UPI)



DEPRESSED — An exhausted Toronto trader sits slumped in his chair. Panic selling there caused the main TSE 300 Index to plunge 400 points, or about 11 percent, on Monday, and 646 points, or 17.97 percent, on Tuesday, to a close of 2,952.

Shares Plummet In Asia After Drop In Dow on Monday

By Michael Richardson International Herald Tribune SINGAPORE — Asian stock markets plunged by record amounts in frantic trading Tuesday as investors scrambled to bail out after Wall Street's unprecedented collapse.

Analysts said a combination of fear and forced sales after the Wall Street slide caused share indexes in Japan, Australia, New Zealand, Singapore and Malaysia to post their largest single-day point falls.

In Hong Kong, stock market authorities suspended trading for the week, citing the need to protect investors and allow brokers to sort out earlier trades.

The analysts predicted that unless markets in the United States and Europe steadied soon, the stock market rout in the Asia-Pacific area was likely to continue, clouding otherwise bright prospects for economic growth in many countries.

"We are very much in the hands of New York," said Hugh Peyman, head of South East Asian research for Merrill Lynch Pierce Fenner & Smith in Singapore.

Takahashi Johsen, research director at Mitsubishi Research Institute in Tokyo, said the plunge in the Japanese stock market, the world's largest, had "gone beyond its economic fundamentals."

Tokyo

On the Tokyo Stock Exchange, the widely watched Nikkei stock average nosedived a record 3,336.48 points, or 14.9 percent, to close at 21,910.08. Volume was lower than normal. The drop far outstripped the previous record one-day point fall of 831.32 on April 27.

After the market closed, the Tokyo Stock Exchange relaxed restrictions on margin trading in a move calculated to bring back buyers. The change will raise to 50 percent from 30 percent the share of a stock that can be purchased with a loan.

The previous record one-day percentage fall was on March 5, 1953, when the imminent death of the Soviet premier, Josef Stalin, sent prices tumbling 10 percent.

The Nikkei average lost 620.18 points on Monday. Since hitting a

high of 26,646.43 one week ago, the index has lost nearly 18 percent of its value, which is estimated at more than \$2.5 trillion.

However, Tokyo bond prices surged as investors concluded that the stock market's collapse precluded the central bank from carrying out a widely rumored increase in its discount rate, now at 2.25 percent.

Bond prices also benefited from a flow of funds out of stocks, and the 10-year benchmark issue jumped about 1.20 points to 96.46 from Monday's finish. The yield dropped about one-fifth of a percentage point to 5.71 percent.

Japan's Finance Ministry asked the four major securities houses in Tokyo to help calm the market, but brokers said the companies made big losses as they bought shares that continued to fall.

By the close of the day's trading, only 753 issues were quoted, 14 percent of the total market. Only seven issues were higher, and 597 registered maximum single-day losses allowed by the market.

Volume was estimated at just 500 million shares, about half the usual level for morning trading alone.

Sydney

The Australian share market, as measured by its major stock index, closed a mammoth 24.9 percent lower Tuesday after a day of unprecedented selling.

The All Ordinaries Index fell a record 515.6 points to close at 1,549.8.

Hong Kong

The closing of the Hong Kong Stock Exchange on Tuesday came a day after frenzied selling led to its largest one-day decline.

The Hang Seng Index lost 11 percent of its value on Monday, falling 430.81 points to 3,362.39.

Singapore

Frantic selling on the Singapore Stock Exchange on Tuesday sent the Straits Times Industrial Index plunging a record 226 points to 996.82 points, brokers said.

The index had already registered a record single-day drop on Monday of 169.14 points, to 1,223.28.

U.S. Economic Policy Adrift, Many in Europe Say

LUXEMBOURG — The sell-off on world stock markets has hardened the view in Western Europe that U.S. economic policy is adrift and has become the root cause of global economic instability, many analysts said Tuesday.

They said it was widely believed in Europe that Monday's stock market slide was triggered in large part by a collapse of confidence by investors that the Reagan administration is capable of correcting the huge U.S. budget and trade deficits.

"The feeling is that there is a real power vacuum in the United States," said Bill Bracey, an economist at Savory Millin Ltd., the London brokerage firm, "that no fundamental corrective action will be taken this side of the next election."

Mr. Bracey and other analysts and officials said that European governments are frustrated by their inability to insulate their economies from the effects of U.S. policy.

They said they are worried that a continued slump in the U.S. stock market could trigger a recession that would spread to Western Europe and the rest of the world.

"There is a certain amount of resentment at this here," Mr. Bracey said. Jacques Poos, Luxembourg's treasury minister, said he believed the major industrial powers should convene an emergency meeting to clarify the U.S. role in efforts to correct global imbalances.

Mr. Poos said that the Reagan administration must push harder for cuts in government spending, to help reduce the budget deficit. It also should curb imports and ease the trade deficit, he said.

He said Europeans were becoming increasingly disillusioned at the failure of the Reagan administration to fulfill its promise to cut the budget deficit.

This promise was at the center of an agreement in February among the six major industrial nations to try to stabilize the dollar.

Monday's record fall on the New York Stock Exchange, which quickly spread to other major financial centers, showed that Europe cannot escape the effects of economic volatility in the United States, analysts said.

Francis Uytendaele, an economist at the Brussels office of Chase Econometrics, the consulting firm, said he feared that a sustained slump in U.S. stocks could lead to a further rise in interest rates.

That, he said, could lead to a recession that would spread to Western Europe.

In a front-page editorial Tuesday on the stock market crash, the conservative French daily Le Figaro said it was "high time" that the world's major industrial nations "decide once and for all to put order in the international monetary system."

"The feeling is that there is a real power vacuum in the United States."

Bill Bracey, economist at Savory Millin

cluding Sir Nicholas Goodison, chairman of the London Stock Exchange.

In a radio interview, Sir Nicholas said he believed world stock prices would stabilize once investors "realize that the problems of the world mainly center on countries other than the United Kingdom, particularly the U.S.A."

which, he said, must get its deficits under control.

French Privatization Strategy Is Jeopardized . . .

By Joseph Fitcher International Herald Tribune PARIS — The stock market crisis in France has jeopardized the conservative government's strategy for industrial modernization, but the decisive political impact depends on whether collapsing French share-prices trigger a recession, politicians and analysts said Tuesday.

"We can weather it," said Jacques Toubon, secretary-general of the neo-Gaullist party led by Prime Minister Jacques Chirac. He added: "What worries me is less the stock market and more the monetary repercussions of the crisis, particularly interest rates."

Asking how much French voters will blame the share-price crisis on Mr. Chirac's policies, sources contended that the government could blunt criticism by stressing that all industrial nations had been engulfed by the crisis, not just France.

"Blame for triggering it is being deflected to other nations, mainly the United States and West Germany, where the central bank has resisted pressure to lower interest rates and reinforce economic confidence."

A former French minister of finance, Jacques Delors, head of the Commission of the European Community in Brussels, said on French radio that James A. Baker 3d, the U.S. secretary of the Treasury, "was a fireman who is having the effect of an arsonist."

He was alluding to comments by Mr. Baker over the weekend that upset the markets. The markets interpreted his remarks as talking

down the dollar and publicizing friction between the United States and West Germany.

"It's clearly not the fault of French policy; it comes from deficits in the United States," said Jean Francois-Poncelet, a conservative senator and former foreign minister.

But Mr. Chirac's prospects in presidential elections next spring seem likely to lose ground to rivals such as President Francois Mitterrand, who is a likely Socialist candidate for re-election, and Raymond Barre, who succeeded Mr. Chirac as prime minister in 1976 and acquired a reputation for economic sagacity.

Conservatives, including Mr. Chirac, and Socialist leaders have pursued policies in recent years of encouraging the development of a stock market fully integrated into the world financial system.

But the stock market panic has hit France at a sensitive juncture of economic modernization. A main spring of the Chirac government's ideology is "privatization," the process of putting state-owned industries, banks, media and insurance companies into private ownership via the stock market.

Now the scope and pace of the government plans seem bound to suffer. Most of France's 10 privatized companies were still trading above their original cost to the public, but large paper profits had been wiped out.

"Financially and psychologically, this is bound to dampen demand for new issues," according to Paul Horne, a Paris-based interna-



Jacques Chirac

tional economist for Smith Barney, the brokers.

The capacity of French and foreign investors to buy large companies has been the subject of a technical debate among politicians and economists in France, and Socialist members of parliament are expected to accuse the government of moving too fast with privatization.

The crash has hurt the government's credibility with special force because French people are traditionally uneasy about channeling their savings into the stock market.

Leftist politicians are finding

fault with the government on technical and moral grounds. They are accusing the government of overestimating the market's ability to digest rapid, ambitious privatization and of lulling voters with promises of prosperity by speculation.

But the major French opposition groups appear badly placed to make direct political capital out of the woes of the Paris Bourse.

The bull market, which rose fivefold between 1982 and last summer, took off under the Socialists, in power in France from 1981 until they lost their parliamentary majority last year.

The Socialists started the campaign to liberalize the securities industry in France, and they frequently cited the stock market's performance as evidence of their successful management and proof of their conversion to free-market principles.

In France, prominent politicians have called for immediate international crisis consultations, a polite formula for obtaining help from the United States, West Germany and Japan to offset the effects of the crash.

French economic activity could be stimulated by a cut in interest rates, currently Europe's highest at 12 percent. But the French government cannot risk making credit cheaper unless interest rates come down first in West Germany.

"The key is in Bonn and Frankfurt," said Mr. Horne of Smith Barney. "If France grinds to an economic slowdown, the political fallout for the government will be severe."

And Britons See Ebbing of 'Popular Capitalism'

By Reginald Dale International Herald Tribune LONDON — Many economic analysts said Tuesday they believed that the government's policy of "popular capitalism" through wider share ownership had suffered a serious setback in the wake of record stock declines in London.

More widely, they fear that the international consequences of the crisis could pose problems for the rapidly expanding British economy.

Immediate attention focused on the government's £7.2-billion (\$12-billion) offer of shares in British Petroleum Co., with an Oct. 28 closing date, regarded as the linchpin of the privatization policy.

Nigel Lawson, the chancellor of the exchequer, said Monday that the sale, the biggest in British financial history, would go ahead, because it had already been underwritten.

He appealed in an interview with the British Broadcasting Corp. to the millions of small investors who have entered the market in recent years, with the strong encouragement of the Conservative government, to "keep calm" and "stay on the roller coaster."

But market analysts said they expected that the small private investors whom the government wants to attract would be extremely nervous about taking up the offer and that the dozens of underwriting financial institutions would have to buy most of the shares and bear any losses.

BP shares on Tuesday closed 50 pence below the official 330-pence offer price.

"Are people prepared to buy shares when they see that they go down as well as up?" asked Christopher Johnson, chief economic adviser to Lloyds Bank. "I would have thought not."

"This will be the real test of the government's privatization policies," he added, noting that previous government share sales had all benefited from a bull market.

Andrew Britton, director of the National Institute of Economic and Social Affairs, a leading independent forecasting organization, said that people had previously thought that buying government shares was "a sure way of making money."

The events of the past two days "will have corrected that illusion," he said.

Numerous analysts predicted that the government's plans to privatize the water and electricity industries in the months ahead would now be much more difficult.

Nevertheless, the political consequences for Prime Minister Margaret Thatcher might not be too serious, Mr. Britton predicted.

Mrs. Thatcher has been trying to widen support for her government and its economic policies by extending share ownership more widely throughout the general population.

Mr. Britton, however, said that most of those who were going to buy government shares had probably already done so in earlier privatiza-

tions, such as those of the gas and telephone industries.

More generally, however, analysts were concerned that Britain was particularly exposed to the risk of a downturn in the U.S. and world economies that could be precipitated by the latest financial upheavals.

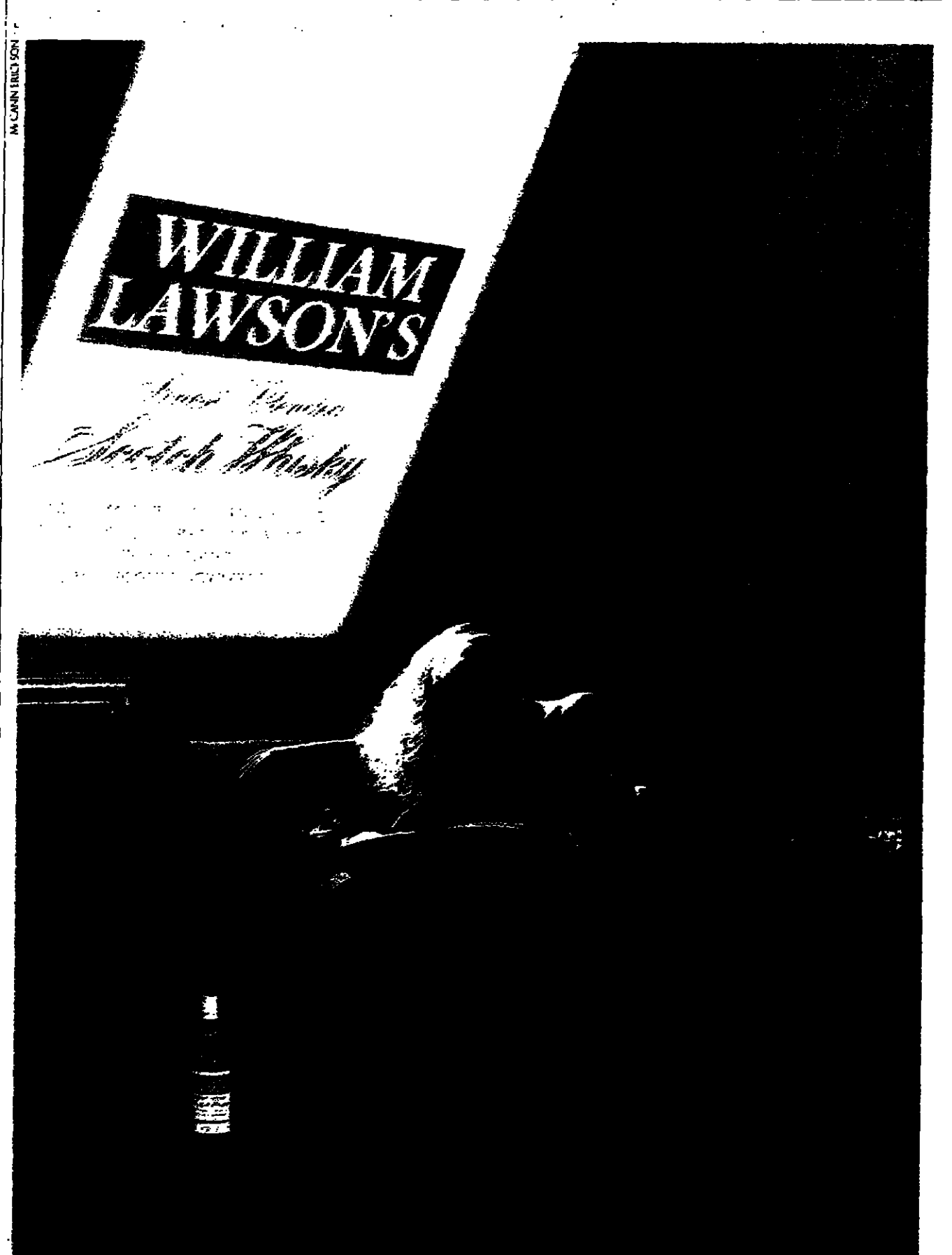
Mr. Lawson insisted that "the only way in which the American economy would go into recession is if it actually talks itself into recession."

He said he saw no fundamental reasons why the U.S. economy should suffer a recession, "and indeed the possibility of higher interest rates would certainly in my judgment not lead the American economy into recession," he said.

Some private analysts said, however, that the international stock markets were a leading indicator of the economic cycle and that they were signaling a worldwide downturn, particularly in the United States, where growth might fall to 1.5 percent next year.

British analysts agreed that Washington would have to increase taxes and probably accept a further moderate fall in the dollar in the months ahead.

A tax increase would help cut the budget deficit and reduce the trade deficit by dampening the economy, they argued.



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NYSE Most Actives table with columns for Vol, High, Low, Last, Chg.

Market Sales table with columns for NYSE 4 p.m. volume, NYSE 4 p.m. volume down, etc.

NYSE Index table with columns for High, Low, Close, Chg.

Tuesday's NYSE 3pm logo with 'Via The Associated Press' text.

AMEX Diary table with columns for Class, Chg, Week Ago, Year Ago.

NASDAQ Index table with columns for Class, Chg, Week Ago, Year Ago.

AMEX Most Actives table with columns for Vol, High, Low, Last.

Dow Jones Bond Averages table with columns for Bonds, Utilities, Industrials, Close, Chg.

NYSE Diary table with columns for Not available at press time.

Odd-Lot Trading in N.Y. table with columns for Oct. 10, Oct. 16, Oct. 19, Buy, Sales, % of Total.

Dow Jones Averages table with columns for Open, High, Low, Close, Chg.

Standard & Poor's Index table with columns for Industrials, Financials, Utilities, etc.

NASDAQ Diary table with columns for Class, Chg, Prev.

AMEX Stock Index table with columns for High, Low, Close, Chg.

Large table of stock prices with columns for 12 Month High, Low, Stock, Div, Yld, PE, etc.

MARKETS: Prices Rebound, Dow Up 102

(Continued from Page 1)

largely caused by the stock market drop, bond dealers said. Investors searching for a safe harbor funneled money into U.S. Treasury securities...

Table of stock prices with columns for 12 Month High, Low, Stock, Div, Yld, PE, etc.

Chopard GENÈVE advertisement featuring an image of a watch and text: 'Gstaad A timeless masterpiece'.

Table of stock prices with columns for 12 Month High, Low, Stock, Div, Yld, PE, etc.

Table of stock prices with columns for 12 Month High, Low, Stock, Div, Yld, PE, etc.

Vertical advertisement on the right edge with text: 'IN THIS REP...', 'ISDN Unw...', 'Brazil Reten...', 'Telema...', 'Teleports Spread', 'Cellular Phones', 'Boom for Cable', 'Super Spy Satellite', 'Cable Systems'.



Jeffrey L. ...

# Telecommunications

## IN THIS REPORT

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In theory, no one questions the value of an integrated, worldwide, all-purpose telecommunications network, but the reality is a good deal more prosaic.

### Brazil Retrenches III

After making great strides in upgrading its telecommunications system, Brazil is trying to prevent a slide backwards to a third-rate status.

### Telemail IV

The multiplicity of "languages" is preventing telemail services from expanding across national frontiers.

### Teleports Spread V

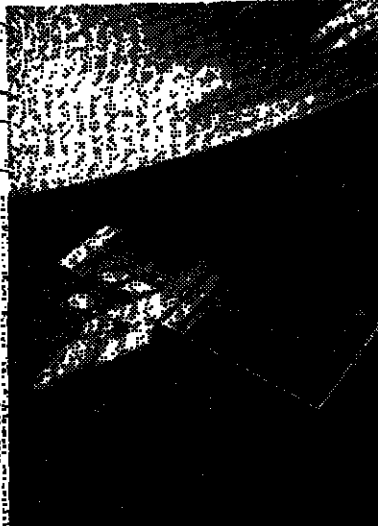
Teleports, which were first developed in the United States to provide premium digital services without going through the local telephone companies, are catching on in Europe and Asia.

### Cellular Phones VI

Scandinavian countries are still the pioneers in expanding cellular phone market.

### Boom for Cable VII

The cable television industry in the United States is reportedly "basking in investor euphoria."



### Super Spy Satellite VIII

France's new space photo satellite, SPOT, through its technological advances, is bringing a new dimension to global espionage.

### Cable Systems VIII

Alternative technologies, such as backyard satellite dishes and "wireless cable" systems, have met with little success in their efforts to secure a foothold in the U.S. video marketplace.

## Telephony Bursts out Of the Mold

By Eli M. Noam

**N**EW YORK — Today's policy changes in telecommunications are part of a broad transition in the public network — a system that dates back to the emergence of postal monopolies in the 16th century.

That system was based on a centralized monopoly that enjoyed broad interest group support from what may be called the postal-industrial complex of equipment companies, the rural population labor unions and state bureaucracy. The network was universal in reach, price-controlled as a necessity, and redistributive in charges. As a public service, telephony was outside the mechanism of the market, even in otherwise free-economy countries.

But despite its popularity, the traditional model of the public network has not escaped the multiple forces that have undercut its stability. Technology is one of them, but one

### COMMENTARY

should not exaggerate its contributions. More significant was the emergence of the information-based service economy as a mainstay of developed countries.

Electronic information transmission became of ever-increasing importance to the new services sector — and a major expense item. Price, flexibility, security and reliability became variables requiring organized attention by a new breed of experts outside the PTTs.

This led, in time, to new constellations. A new alliance emerged, consisting of large users, including international firms, together with the most advanced part of the equipment industry. In consequence, we are merely at the beginning of what will be a lengthy process of change. The centrifugal forces are encouraging the evolution of a new network model of telecommunications that is characterized by a great deal of openness and resembling conceptually a matrix rather than the traditional star. Here are some of its main characteristics.

The future open network system will be one of great institutional, technical and legal complexity. It will consist of an untidy patchwork of hundreds of sub-networks serving different geographical regions, customer classes, and service types with no neat classification or compartmentalization possible. The U.S. experience demonstrates the instability of structural regulation that tends to compartmentalize the industry. Hence the future network environment will have carriers engaged in many functions, though there will be no shortage of official attempts to ensure order.

The network becomes a composite of numerous separate planning decisions. This notion is so alien to the engineering world view of telecommunications traditionalists that it strikes them as bizarre. The old perspective was that of the chain of command, long-range planning and integration. To leave this system to the vagaries of hundreds of uncoordinated and selfish actors seems to invite disaster.

Can it work? This is not the right question. Perhaps a better way to frame the issue is: Can there be a stable alternative in economies that otherwise favor a market mechanism and that want to stay on the leading edge of technology and applications?

Telecommunications is in the process of becoming a

Continued on page III



## U.S. Agencies Study Effects Of New Regulatory Climate

### The seven regional Bell companies want to expand.

**W**ASHINGTON — This year could be a watershed in telecommunications policy in the United States. It is the year in which the breakup of American Telephone & Telegraph Co. got its first close examination. It is also the year in which the regulatory bonds on local monopoly telephone companies and on AT&T began to be loosened.

Federal and state regulators are replacing the 50-year-old methods they had been using to determine how much money those companies should earn. They also are rethinking how those companies should be structured to provide the most protection for rate payers, while providing the most regulatory flexibility for the companies.

When AT&T was broken up in 1984, U.S. District Judge Harold H. Greene, who presided over its divestiture, ordered three basic prohibitions for the then-newly created regional holding companies (RHCs), or Baby Bells. They could not provide long-distance service across local calling zones; they could not manufacture equipment and they could not provide information services, such as medical monitoring or data bases.

He also said that the companies would need a court waiver to enter into any other type of business. And he ordered the Department of Justice to submit a report three years after divestiture, evaluating whether the restrictions should be lifted in whole or in part.

This year the seven regional Bell companies, under the provisions for automatic review of the settlement, have been trying to persuade Judge Greene to allow them to expand by providing long-distance service. They argue that the limits imposed on them under the divestiture settlement are unnecessarily confining and that consumers are being denied the benefits of additional competition and many new products made possible by technological advances.

On Sept. 10, however, Judge Greene, issued an order finding that the long-distance and manufacturing restrictions should stay in place. He left open the possibility of Minitel-like networks developing in the United States by permitting the regional companies to provide gateway services, allowing users to enter a general menu to be directed to specific information services but not content or messaging, for vendors of information services. He also abolished the need for waivers for non-telecommunications businesses.

Earlier, Peter Huber, a consultant for the Justice Department, had published a report called "The Geographic Network," in which he had concluded that the telecommunications system had changed radically because there was so much intelligence in customer-based switching devices.

He recommended that the restrictions be lifted. But he also found that more than 99 percent of the telecommunications traffic still passed through local telephone company switches, a fact that Judge Greene would use to justify his own decision as well.

Meanwhile, the Justice Department, which had first recommended that the regional companies be able to offer long-distance service outside of their service areas, reversed itself and recommended that the restriction be kept, with the possibility of lifting it on a case-by-case basis. The Justice Department also did not enforce the ban on manufacturing as strictly as some manufacturers

Continued on page V

## Business

## Europeans Bid For Bigger Slice Of U.S. Market

By Arthur Brodsky

**W**ASHINGTON — Earlier this year, when the Federal Communications Commission had sparked a debate over U.S. trade policy while the French government was deciding whether to sell its national telephone switching system to American Telephone & Telegraph, Ericsson or Siemens, there was a brief story making the rounds in Washington.

AT&T, it was said, had the FCC Chairman Mark S. Fowler's heart. But Siemens had President Ronald Reagan's ear, literally. He wears two hearing aids manufactured by the German multinational giant.

Three years ago, none of the major European telecommunications manufacturers had any presence in the big and lucrative U.S. market. Now, through rapid expansion and huge spending, they have become an integral part of it although they still lag far behind AT&T and Canada's Northern Telecom.

Their equipment is found not only performing the mundane switching tasks done in central offices, but also on the cutting edge of U.S. technology.

Whether in tests for Integral Services Digital Network (ISDN), fiber optics, packet switching or cellular radio, Siemens and Ericsson are there. And Stromberg-Carlson, now owned by Plessey of Britain, is also making a strong bid for a larger share of the U.S. market. To some degree, they have also injected themselves into U.S. policy debates, before both the Federal Communications Commission and Congress.

The largest equipment buyers, the seven divested regional holding companies, were eager to look to new telecommunications suppliers. They had AT&T and Northern Telecom, but they also wanted a third supplier to avoid a cartelization of the marketplace. It is still not clear who that third supplier will be, and once the market shakes out, it may vary from regional company to regional company.

Apart from the central office switch market, European suppliers are also making their presence felt in the large PBX market, particularly in universities and state governments.

Of the major European suppliers, Siemens has the highest profile. It scored a major coup by supplying packet switches for Bell Atlantic, Nynex, Ameritech and U.S. West. To help market the packet networks, and its switch, Siemens came up with a mobile demonstration display that has a variety of terminals and can demonstrate automatic bank teller transactions, credit card verification, electronic mail and other capabilities.

The packet switching sales are important not only in their own right but because they are seen as the forerunner of full-blown ISDN services. In another context, Bell Atlantic and the Bell Communications Research (Bellcore) research consortium owned by the regional holding companies, are conducting a nine-month test of Siemens' digital EWSD central switch in an ISDN trial that will include a test to determine if the Siemens product can be connected to existing analog AT&T switches.

Similarly, Southwestern Bell is ISDN-testing the Siemens switch in its Advanced Technology Lab in St. Louis, along with switches from other manufacturers, including Ericsson.

Siemens apparently intends to maintain a strong U.S. presence. Altogether the Siemens companies employ more than 24,000 U.S. citizens, have \$1.3 billion invested in the United States and \$2.2 billion in revenue. Siemens Communications alone employs more than 6,300. President Herbert Asmussen has said that his part of the company is a "net exporter," and thus a positive force in helping to reduce the U.S. trade deficit.

To gear up for a big rush at the U.S. market, Siemens is converting part of its U.S. factory capacity into manufacturing space for the EWSD switch. The factories, in New Jersey and New York, will also continue to produce packet switching equipment. At the Boca Raton, Florida, headquarters of Siemens, the company has dedicated a new research center exclusively for the EWSD. It will employ more than 500 engineers.

As if to underscore its plans to stay in the United States, Siemens spent \$165 million early this year to buy 100 percent control of Tel Plus Communications, the largest business telephone equipment reseller in the United States. Before the deal, Siemens had held 35 percent of the Boca Raton-based firm. Siemens said it made the deal because it wanted direct control over its national marketing, sales and service

Continued on page IV

## New Wings For European Telecommunications

When Eutelsat needed new multibeam satellites, it chose Aerospatiale Spacebus 100 technology.\*

These new birds will be able to direct 16 transponders to desired coverage zones after a simple command from the ground.

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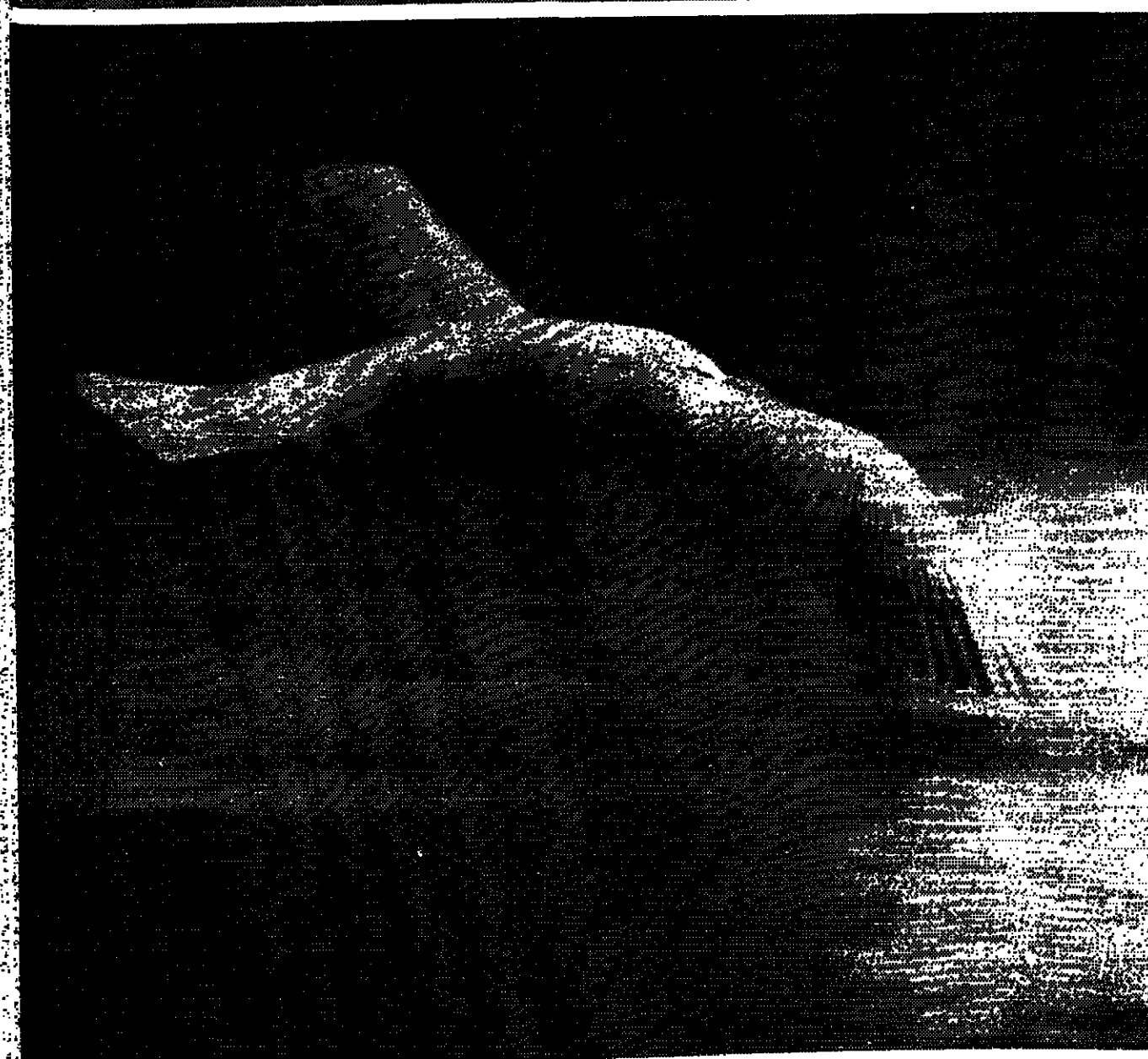
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A Scarcity of Funds

# Brazil Struggling to Stay on Hold

By Mac Margolis

**S**AO PAULO — It's more than 2,000 miles from this megalopolis to São Gabriel da Cachoeira, a sleepy Amazon jungle town near the Venezuela border. To get there, one can take a five-day boat ride up the Rio Negro or, when it's not raining too hard, a twin-engine prop plane that leaves three times a week from Manaus. No highway goes that far and until last month the telephone never rang there.

But on Oct. 1, President José Sarney dialed São Gabriel's mayor to say hello and to inaugurate the ten thousandth Brazilian town to be plugged in to the country's expansive telecommunications system.

Mr. Sarney's call was symbolic of an extraordinary development drive that in just four decades has taken this country's sluggish, backward communications system and put it on a par with those of the most advanced countries.

He made the call from a new \$26 million communications station in São Paulo state that is designed to boost the number of international telephone calls by 50 percent. This station, Brazil's 27th, is the latest monument in a campaign that has connected all Brazilian cities and towns to a system of cables, microwave ground towers and satellites.

However, even though distant São Gabriel is plugged into long distance cables, only a handful of its 24,000 residents have telephones. The telephone industry is so stopped up with back orders that customers in the largest cities, let alone those in the hinterlands, must wait up to two years for a telephone line.

Full in government investment, skyrocketing demand and steady dilapidation of cables and communications stations have badly deteriorated telephone lines, multiplied busy signals and dogged assembly lines of communications equipment industries.

Experts say that if Telebrás, the telephone company, doesn't receive a massive transfusion of funds soon, the system that Mr. Sarney called the "sixth largest in the world" could slide to the status of those in the most indigent nations.

As Mr. Sarney declared, after talking to São Gabriel, the stakes

Two million Brazilians want to buy telephones but cannot because the system cannot expand fast enough.

are high. "No nation will be truly free and independent, as the 21st century dawns, without mastering technology," he said.

Telecommunications got a late start in Brazil, considering that the country got its first telephone in 1877, a present from Alexander Graham Bell. It took another quarter century to string thousands of miles of telegraph lines over the country, from the Atlantic coast to the Amazon jungle.

Then in the mid-1950s, President Juscelino Kubitschek vowed to move Brazil "50 years in five." During that campaign, he modernized just about everything, except improving rockets to launch more satellites and on fiber optics.

The telecommunications system on the ground has expanded as well. While there were only one million telephones up to the mid-1960s, there are now 12 million. From the remotest region of the country, a direct dial call can be made to New York or Tokyo.

But some recent figures already hint at a decline.

By one measure, Brazil, with 7.2 million telephone terminals —

and buying into the Intelsat system for trans-oceanic calls. The government built a space research center and, in 1985, launched Brasilsat, the first Brazilian communications satellite for long distance calls and relaying television signals.

"The communications network was the most important work the Brazilian military achieved," said Mr. Garbi.

Despite Brazil's staggering debt burden, some advances have continued in the postmilitary years. A second satellite, Brasilsat-2, was launched last year and research is being carried out in São Paulo on improving rockets to launch more satellites and on fiber optics.

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But some recent figures already hint at a decline.

By one measure, Brazil, with 7.2 million telephone terminals —

there are 1.5 telephones to each terminal — ranks 10th in the world, just behind Spain and Canada. But Brazil places only 37th in telephone "density," or the number of terminals per 100 inhabitants.

And "density is the only true measurement of development," according to Luiz Carlos Bahiana, a former Telebrás executive who now heads Equitel, the Brazilian affiliate of the German communications giant, Siemens.

According to Telebrás, there are two million Brazilians who want to buy telephones but cannot because the system cannot expand fast enough.

This has spawned a thriving black market, where the lucky ones siphon their telephones at scalpers' prices.

It has also severely taxed existing lines. Brazilians make 2,500 calls per telephone a year, the highest ratio in the world. The heavy traffic has resulted in long waits for a dial tone, crossed lines and calls repeatedly falling on incorrect numbers or being cut off in mid-conversation.

The very excess in demand is, in a way, a good sign. In a country of 139 million people and with a traditional economic growth of 5 percent to 7 percent a year, there is a seemingly limitless telephone market. Telebrás has consistently been one of Brazil's most profitable state enterprises.

Yet, with rare exceptions, government investments in the telephone system have been cut back for nearly a decade.

Telebrás recently programed spending \$1 billion a year and the



Operators in the country's telephone exchanges like this one have been unable to keep up with user demands, resulting in long waits for dial tones, crossed lines and calls repeatedly falling on incorrect numbers.

installation of 800,000 telephones. But the return of triple digit inflation and Brasília's ceaseless tinkering with economic plans have frightened private investors, including those in communications.

Ironically, perhaps, the recent liberalization of Brazilian politics after two decades of military rule may have aggravated the problem.

"Unfortunately, telecommunications has been politicized. There are increasingly more politicians and ever fewer technicians, and they manage the system according to electoral needs — all the factors that make Latin America poor and miserable," said a senior executive at a private communications firm.

Sources in the communications

industry say the decline need not be fatal. A healthy restoration of investments and replacing pork barrel policies with technical criteria would go a long way to help the telephone system.

"The economy demands that telecommunications keep pace with development," said Mr. Garbi.

Meanwhile, in São Gabriel da Cachoeira, as in other towns, the phone may keep ringing, but for the very few.

MAC MARGOLIS is a correspondent for Newsweek based in Rio de Janeiro. He contributes regularly to The Times of London.

## Telephony Bursts Out of the Mold

Continued from page 1

ing transformed from one of the most regulated industries to one of the least regulated. The growing complexity of the system makes it increasingly difficult to fashion consistent rules, and rules are not likely to be enforceable. The subjects of the regulations — streams of electrons and photons, and patterns of signals that constitute information — are elusive in physical or even conceptual terms, and at the same time fast and distance insensitive.

And yet there is a need for regulatory oversight of the rules under which networks and users interrelate in the future; to bridge this tension will be one of the central challenges for regulatory policy.

The traditional public system may be losing its exclusivity, but it is gaining the flexibility of moving into new activities, including equipment manufacturing and computer applications. These new horizons are an attraction to PTTs as they consent to the loss of monopoly; for policy makers, they raise regulatory issues on how to deal, in the transition phase, with the still-substantial economic power of the unchained PTTs.

It will become increasingly difficult to reach or maintain specific agreements on standards as the number of interests and participants multiplies. Instead, standards setters or coalitions will emerge around which other actors will cluster, since incompatible services will not usually be attractive to users. The system may not be fully convergent, and some parallel standards are likely. Fortunately, electronics is flexible; a brisk industry of information and protocol arbitrage from one standard to another will emerge.

Networks must normally be able to interconnect into other networks as a matter of right, even if they are rivals. This principle requires clarification of the charges and quality standards for interconnection, and this is likely to remain a regulatory question for a long time.

While the right of interconnection deals with networks' linkage with each other, the right of access concerns users' ability to reach, if technically possible, any network they choose to, and to join, under natural conditions, user-group networks.

An open network system raises the question whether the obligations of a network operator to serve all interested users, regardless of location, applies to all services, and the answer is likely to be differentiated. For more specialized services, the general obligation will not exist. But for basic service it will continue, and the definition of "basic" is likely to expand. The boundary line is likely to be an ongoing issue of policy debate.

While it is unlikely that the traditional system of internal transfers from a class of users to others can be maintained, this does not spell the end of transfers; though there will be more external and less internal ones. Subsidies are likely to become more narrowly targeted to the poor.

The open system is not efficient in the sense of minimizing resources. There is nothing unusual about this; almost every industry has excess productive capacity. In telecommunications, with its low marginal costs, competition will cause periodic price instability, and future regulation will need to moderate price volatility and at the same time prevent the likely industry efforts at collusion.

Telecommunications operations will transcend the territorial concept and the notion of each country having total territorial control over electronic communications will become archaic. Supranational carriers and mechanisms will eventually evolve.

The two network concepts — centralized and open — are reflected in the present two major initiatives of their respective proponents. ISDN (Integrated Services Digital Network) is an archetype for the centralized network model, while the ONA (Open Network Architecture) concept, at present before the Federal Communications Commission, aims at disaggregating and opening the very core of the network.

Those holding the centralized concept of networks are captivated not just by its technical capabilities, but also by the more political notion of the exclusive super-pipe. ISDN at once reaffirms the view of the network as a centrally planned and exclusive system while providing a powerful and yet ultimately futile defense against centrifugal forces.

The traditional public network was a very appealing concept amid the cold rationality of capitalism. It was a notion of sharing, interconnecting and reaching every member of society. But certainly, the historical origin of the system, rooted as it is in 17th century European absolutism, does not support those who presently view its defense as a progressive act.

In the future, telecommunications will more closely resemble the rest of the economic system and will be less part of the political sphere. It may be much more complex and, in parts, even less efficient than the old system, but it will be a closer reflection of the underlying complexities of society and economy.

ELI M. NOAM is a member of the Public Service Commission of New York. He is completing a two-volume study of the political economy of European telecommunications.



## The new NTT is only two-years old. But it has a history of more than a century!

Two years ago, NTT was transformed from a government monopoly to a private company in a competitive environment. NTT's basic goals, however, remain unchanged. The company's ideal is to allow every person to contact more people and have more access to more information than ever before. The natural result of this commitment to human contact and human knowledge is implementing the most advanced technologies.

To achieve our aims, we have intensified R&D activities. We also welcome equipment from vendors and manufacturers worldwide that

will enhance the scope and quality of our services. And we offer our advanced technologies in telecommunications and data processing to the international community through our subsidiary NTT International.

NTT keeps an open mind. We invite everyone to participate with us in meeting the challenges of truly compatible global information networks for the next century.

For Telecom '87, NTT will exhibit at booth 5.101 a prototype for ISDN network services which conform to CCITT recommended I-series interfaces. NTT plans to begin commercial ISDN service no later than April, 1988.



rier Story

NETWORKING



Electronic Mailboxes

Europeans Increase U.S. Market Share

Continued from page 1

operation, rather than leaving those jobs to middlemen. The move was also defensive, to help fend off the sales forces of the Bell Operating Companies. Tel Plus sells PBXs, work stations and other equipment, through 100 sales locations in the United States, to about 50,000 customers. Competing strongly with Siemens is the American subsidiary of the Swedish firm Ericsson. (Ericsson scored an impressive international triumph this summer when the French government allowed it to purchase the government's national switch manufacturing business, beating out Siemens and APT, the AT&T-Philips alliance.) Ericsson has only about one-third of the investment that Siemens has in the United States, with assets of about \$320 million. But working from a small base, it has made great strides. In the central office switch market, Ericsson said it wants to add 100,000 lines of its ANE CO digital CO switch, proposing some joint development projects with the regional companies. The company's biggest score came in April when it announced that U.S. West would buy 50 ANE switches to be used in rural Idaho. The contract was Ericsson's third with U.S. West, but the others were much smaller.

In addition, Ericsson has signed a contract with BellSouth for two specialized signal transfer point AXE switches to be put into effect early in 1988. Ericsson has also signed with Southwestern Bell to provide service for 15,000 subscribers in Missouri, while agreeing to supply Southwestern's advanced technology lab with switching equipment for testing. Besides the central office market, Ericsson has been trying to sell PBX equipment as well. The company wants to gain between 5 percent and 10 percent of the American market, expanding from its present base of largely university customers. The key product is the MD110 PBX. It was at first designed for customers with between 100 and 400 lines and was later expanded into the MD110-40 which can handle up to 12,000 lines. The company has a dozen sales offices in the United States to market the PBX and is making some gains. In its traditional market, Ericsson has won an \$8 million contract from San Diego State University and a \$6.1 million contract from Oklahoma State University. Ericsson has also installed the switch in the Arkansas state government network. Outside of the traditional PBX and CO markets, Ericsson is an active player in the cellular switch market. In addition, Ericsson says that it has captured about 5 percent of the \$300 million U.S. multiplexer market and is aiming for



Siemens is making a strong bid to become a major supplier of equipment in the United States.

10 percent. That equipment is sold to fiber optic carriers, such as NorLight, the Wisconsin-based network, which bought 50 E-MX3 multiplexers. Ericsson has signed an agreement with IBM to try to combine IBM's data base and networking technologies with Ericsson's switching into products such as a virtual private network and 800 services. IBM is also selling products made by its Rolm subsidiary. The last major foreign firm that is trying to break into the central

switch market is Stromberg-Carlson, an old-line American firm purchased by Plessey, Stromberg's traditional market is the small independent telephone company, but it caused a stir in April by signing a \$100 million agreement with BellSouth to purchase 600,000 lines of switches. ARTHUR BRODSKY is senior editor of Communications Daily, a telecommunications newsletter published in Washington D.C. by Television Digest.

Diversity of 'Telemail' Languages Is Blocking Exchange of Services

By Edward Roby

BONN — Europe's would-be electronic mail users find themselves in much the same dilemma as the lost city slicker who was informed by a taciturn New England farmer that his travel destination was "just over yonder; but you can't get there from here." The corporate sales manager of a West German manufacturing company might want to use his Bundespost "Telebox" electronic mail service to exchange confidential messages and instructions with his sales representatives in the field. But if those representatives happen to be in France or Italy, he is flat out of luck. The Bundespost system simply does not mesh with the ones in use in those countries. Nor can one reach neighboring Austria, Belgium, East Germany or Sweden. There are easily over one million telemail users in dozens of countries around the world but only about 200,000 of them, mostly in the United States and Britain, can be reached through the Bundespost system, which has managed to attract only about 1,000 subscribers since its inception in 1984. And the situation is much the same elsewhere. In North America, for example, there are at least 14 major competing telemail networks. The bewil-

The electronic mail networks will have to learn a common language by adopting uniform telecommunications standards.

dering choice has led to the thickest density of telecommunications "mailboxes" in the world — 764,000, by last count. But the networks are not necessarily compatible with each other. German, American and British subscribers can communicate if they happen to have the Dialcom system, now a property of British Telecom, which the Bundespost has adopted. But communications break down quickly if a German sender wants to reach an American addressee served by Western Union Easylink, U.S. Sprint Telemail, AT&T Mail, RCA Mail or MCI Mail, to name a few. In general, he would be even more isolated from the outside world if he had turned to one of

several private electronic mail operators, including Combox in Berlin, Deutsche Mailbox GmbH and Infex GmbH in Hamburg and Geonet near Kassel. The private, commercial networks are typically geared to domestic users and are unable to carry the large volumes of data that some subscribers might want to transmit via secure telemail. Bernhard C.R. Kuhmeyer, a Bundespost expert on electronic mail, conceded that the services currently available are spotty and a bit chaotic. As he sees it, the problem is not one of various incompatible systems competing to dominate a potential market but rather a matter of isolated "islands that want to grow together."

"We hope that from the many islands a great continent will eventually grow," Mr. Kuhmeyer said. Before that happens, the electronic mail networks of the world will have to learn a common language by adopting uniform telecommunications standards. An exhibit at the weeklong Telecom 87 exhibition in Geneva, which opened Tuesday, has been devoted to showing how telemail systems and services offered by 21 different manufacturers and telecommunications authorities can be made to communicate with each other using the X.400 standards. This set of technical norms is what is supposed to meld the telecommunications islands into a continent. The X.400 standards seem to be on the verge of adoption by the important international standards bodies. Theoretically, said Mr. Kuhmeyer, around two million telecommunications mailboxes could become mutually accessible within two or three years because of the current international standardization initiative. But before this happens, somebody will have to devise a way to apportion costs and tariffs and develop some sort of directory of subscribers with accessing data. And that seems to call for the creation of something that might look very much like a supranational telecommunications authority. Thus, it is conceivable that the current decentralization and privatization momentum in global telecommunications could come full circle. An executive of Hewlett Packard in West Germany suggested that network analyzing devices, which his company happens to make, might help to resolve the cost allocation problem. It is a sign of the times that the Bundespost is participating in the Geneva X.400 demonstration along with Japan's KDD and Nippon Telegraph and Telephone Corp., Italy's Olivetti, France's Transpac, British Telecom and the Swiss PTT. Other participants include Dialcom, AT&T, Digital, Danet, Hewlett Packard, IBM, Nixdorf, Philips, Alcatel, Teletel, Sydney Ltd., Unisys and Telesystems. Fourteen major computer companies and public telecommunications authorities had gotten together for the debut of the X.400 Open Systems Interconnection at the Hannover CeBIT fair last March. This group included many of the same names as well as Siemens, Bull, Data General, Xerox and ICL International Computers Limited. The X.400 standards permit communication between public and private electronic mail systems, direct communication between otherwise incompatible private telemail systems and global relay via multiple public systems. The basic idea is that any electronic mail subscriber in possession of a data terminal, a telephone and an accoustical coupler ought to be able to enter into two-way but not simultaneous message traffic with any other subscriber, regardless of differences in equipment and networks. The exchange of messages or data is mediated by an electronic central dispatching system analogous to a post office. And because each subscriber has a coded identity, the system is supposed to be secure enough to pass on confidential information from person to person. This aspect sets electronic mail apart from other media like telefax, telex, teletex and videotex. The idea, which lends itself especially to the needs of far-flung sales operations, diplomatic missions, shippers, wire service and newspaper journalism and advertising agencies, caught on first in the English-speaking world. The Bundespost estimates that there are perhaps 2,000 subscribers to the private commercial electronic mail systems in West Germany. But Reinhard Schrutzi, a director of Hamburg's Chaos Computer Club, said there are more like 10,000 users because subscribers submit their teleboxes to cut costs. His organization provides electronic mail services at cost for hobbyists who want to swap information. Mr. Schrutzi said there are around 40,000 to 50,000 of these around the country using electronic mail in one form or another. Mr. Schrutzi, whose club made headlines in September by revealing that computer hackers had managed to penetrate NASA's international scientific computer network, said he also subscribes to the commercial Infex telemail service because it is cheaper than obtaining a telex to send his message traffic. An Infex spokesman, Gerhard Fahrmann, said his network offers its 600 electronic mail subscribers access to data banks as well as telex, telefax and videotex. For small businesses, which predominate among Infex subscribers, these features make it more attractive than the Bundespost electronic mail. Mr. Fahrmann said today's electronic mail operations are positioned to become the hub of universal networks. EDWARD ROBY is the Bonn bureau chief of United Press International.



Imagine a world in which sharing any kind of information is as easy as making a telephone call across town. In which a user of any computer, anywhere can share data with every computer user, everywhere. In which a doctor in California can share and discuss an X-ray image with colleagues at the Institute Pasteur in Paris. In which a Japanese businessman can draw lire from a cash machine in Rome as easily as from his home bank in Osaka. The technology to achieve a worldwide Telecommunity exists today. At TELECOM 87 in Geneva, you will see how AT&T and its partners in government and industry are breaking down the walls that separate people and computers around the world. Join us: 20 October through 27 October. See how far we've come.



EDWARD ROBY is the Bonn bureau chief of United Press International.

Satellite

By Paul Kennerly

U.S. Study

Continued from page 1

Arthur Brodsky

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Teleport Development

Language Services

# Satellite Dish 'Farms' Sprouting Worldwide to Speed Data Services

By Paul Kemezis

**S**AN FRANCISCO — Teleports, a product of America's deregulated telecommunications environment, are spreading around the world. By the early 1990s, there will be over a dozen teleports operating in Europe and at least six in Asia. However, they will all be different, with the forms of ownership and services varying widely depending on the local telecommunications regime.

The raison d'être of all teleports is that various high-speed digital and video services are not provided efficiently or economically by the local telephone company. Teleport developers believe that large data users, such as banks, news groups and television networks, will buy such premium digital services offered by teleports to get around the local bottlenecks.

The main component of a teleport is usually a satellite dish "farm" near a large city, usually offering facilities to several satellite transmission companies the way an airport offers services to airlines. Such a setup is possible because recent technical advances allow dishes to operate in cities despite urban interference.

The teleport's satellite access is normally

coupled with a sophisticated data communications hub providing high-capacity fiber optic or microwave links to the downtown business center and surrounding region as well as special services such as video-conferencing.

In the deluxe model, the teleport is also part of a "smart building" development, providing a way for businesses with large data transmission needs to operate directly at the satellite gateway. This gives them better service and cheaper overall costs.

The emphasis among these three components depends on the place. In Europe, for example, an American-type bypass of the local telephone company is still not possible in most countries because of PTT monopolies. Therefore, European teleports are being developed by local governments as zones of expertise and advanced services in cooperation, not in competition, with the PTTs that still control satellite access.

In Japan, the teleports are parts of semi-public office development schemes needed to overcome downtown business crowding.

Perhaps the most complete teleport is in New York. The facility, opened by Teleport Communications in June 1985, includes a satellite dish farm on Staten Island and a 150-mile (243-kilometer) fiber optic network running through Manhattan and nearby suburbs.

According to DuWayne J. Peterson, executive vice president of Merrill Lynch, which is a major investor in the project, "teleports have created their own systems because the telephone companies have failed to provide the right facilities at the right price."

The Bay Area Teleport in Oakland, California, operates much like the New York teleport with a regional microwave network drawing data traffic from as far as Sacramento. It boasts a geographically unique capability to shoot both Europe and Japan from its satellite dishes on a hill above San Francisco Bay.

In all, there are approximately 30 teleports in the United States, ranging from sophisticated New York-type operations to simple dish farms serving only the cable television industry.

In Canada, the Montreal and Toronto teleports are operated by Telesat, a subsidiary of the large Canadian telephone companies. They are integrated parts of the telecommunications system and will eventually be linked in a single network with similar teleports in Edmonton, Alberta; Vancouver, British Columbia, and other cities.

In deregulated Britain, teleports are a means of competition. Both British Telecom and Mercury operate teleports in London's giant Docklands redevelopment project with high-capacity

links to the city center. British Telecom provides cable television service to Europe and also serves several financial groups. Mercury has built its business around moving financial data across the Atlantic and worldwide, serving the London Stock Exchange and much of the banking community. Both look for business from publishing groups such as Reuters which are locating in the development.

On the continent, the teleport concept is much more fluid. The Dutch have teleports in Amsterdam and Rotterdam. The one in Rotterdam is mainly a large fiber network running through the 30-mile-long Europort complex with various scattered satellite connections geared for quick data services for shippers.

"If you ask a taxi driver to take you to the Rotterdam teleport, he can't" joked one official of the Amsterdam Teleport Office Park, now nearing completion, which is a "smart" building development at Sloterdijk emphasizing integrated trading services.

In France, several teleports are being planned, but in places such as Metz, Roubaix and Poitiers, where they are purely regional development vehicles. French officials are still unclear about Paris, where a regional teleport is on the drawing boards.

The most advanced teleport concept in West Germany stretches the definition almost to the

breaking point. Cologne city officials will convert the St. Gereon rail yard, at the edge of the downtown area, into the Cologne Media Park, a collection of "intelligent" buildings with special video and data services. But there will be no satellite dishes since the Bundespost will keep that business to itself and use existing installations, including its telecommunications tower in Cologne that literally overshadows the new development.

Jaap Engels, who chairs the World Teleport Association European section, said that most large European cities are looking at the teleport concept as a way to enhance their links to the international business, shipping and financial world.

Athens, Genoa, Naples, Vienna, Berlin and Madrid all have projects under study. Lisbon, as a satellite gateway to South America and Africa, will operate at teleport through its World Trade Center, a pattern likely to be repeated in other medium-sized business centers.

Mr. Engels said, "In Europe the teleports are pushing the PTTs to advance their plans for new services and put them first in concentrated zones. Businesses, who are frustrated by PTT slowness in providing new links, have begun to learn that they will probably get them faster through us."

European teleport backers were encouraged by the European Community's recent green paper urging liberalization of value-added telecommunications services, asserting that it confirms the thinking behind teleports even if all EC members are not yet ready to change policy.

The first phase of the Osaka teleport, with satellite and regional fiber optic links, will be in operation by 1989 with the full project serving a new business and research district on several islands in Osaka Bay ready by 2000. Plans for Tokyo and Yokohama are equally big but will take a few more years to come on line. Japan is expected to be the center of the teleport movement in Asia since South Korea, Hong Kong and Taiwan are only just starting plans.

Teleport promoters, such as Mr. Engels, believe the concept now has enough momentum to become an accepted, worldwide phenomenon; but others are cautious. For example, the idea of a unified global data network among teleports is still considered unrealistic by many experts.

PAUL KEMEZIS writes about telecommunications for McGraw-Hill in San Francisco.

## U.S. Study

Continued from page 1

would have liked, interpreting it to mean fabrication only, while the regional companies would be free to conduct design, development and research work on products.

As the basis for his decision, Judge Greene reasoned that the same basic condition that existed at divestiture still exists: the telephone companies control local bottleneck facilities with little or no competition, and still have the incentive and opportunity to take unfair advantage of competitors if allowed into the long-distance and manufacturing businesses.

But Judge Greene also wanted to increase the chances for a videotex service to develop, without endangering the information service providers. They, like long-distance providers, are dependent on the connections to the local network, according to Judge Greene.

Most of the regional companies, the Federal Communications Commission and the Reagan administration criticized Judge Greene's decision.

At the FCC, major regulatory policies were formed that will have an impact on telecommunications for years to come. One, made by Dennis R. Patrick who succeeded Mark S. Fowler as FCC chairman in April, would change the manner in which AT&T, and possibly the other "special telephone companies," are regulated.

Now, the FCC sets a rate of a return for interstate AT&T and local exchange carrier services, based on the costs of those services, and allows the companies to set their prices to meet the mandated rates. This "rate-based" pricing is frequently used in regulating other utilities, such as electricity and gas.

In August, the FCC proposed simply setting a cap on AT&T's prices and allowing it to earn whatever it could under those prices. If this system works well with AT&T, it could be extended to the interstate services of local telephone companies.

AT&T, which has been fighting since divestiture for regulatory relief, has supported the proposal. But many opponents argue that it will give AT&T too much room to underprice some competitive services and overcharge for others for which customers have little choice.

A second major issue at the FCC is how the regional companies will be able to offer enhanced services, many of which are not yet allowed under the terms of the divestiture consent decree. The FCC said that the regional companies could do away with a 1980 mandate that a structurally separate RHC subsidiary had to be established to offer the services, and said that the regional companies had to comply with FCC ordered accounting standards to make sure that rate payers did not subsidize competitive services.

In exchange for this less rigorous regulatory structure, the FCC ordered that local telephone companies had to make connections to their network available to other service providers.

For the short term, the FCC mandated that the regional companies come up with plans for Comparably Efficient Interconnection, meaning that competitors in the enhanced service market would have a reasonably identical connection — the data equivalent of equal access in the voice business.

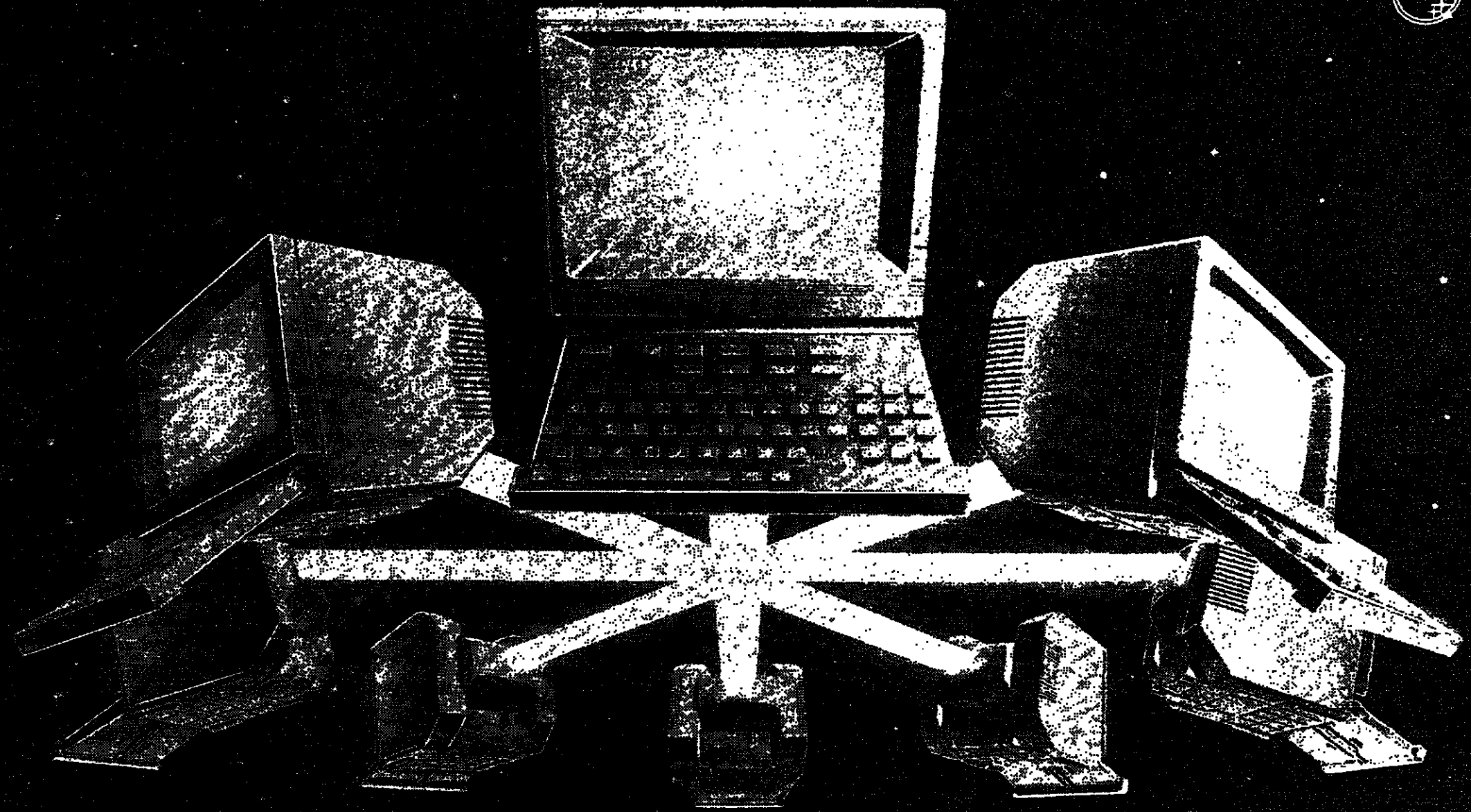
For the long term, the FCC said that the regional companies had to establish an Open Network Architecture plan, which would allow service providers direct access to the telephone company central office. Plans for accomplishing this are due at the FCC in February.

Each regional holding company has conducted discussions with users and service providers to determine what connections should be offered.

In its most controversial proposal, the FCC proposed this year eliminating a loophole that had exempted information services, such as videotex data-based providers, from paying the access charges demanded of long-distance carriers for use of a local telephone network. The proposal met stiff opposition from the information data-base industry.

Arthur Brodsky

## PHILIPS



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The Mobile Connection

# Nordic Pioneers in Cellular Phones Still Dominate World Industry

By Juris Kaza

**S**ALO, Finland — From a Finnish factory town on the banks of a muddy river and from Stockholm's high-tech suburb, Kista, two Nordic companies, Oy Nokia AB and Ericsson, dominate much of the

world cellular telecommunications market.

Nokia-Mobira, a subsidiary of Finland's largest privately owned electronics, forestry and industrial conglomerate, is a leading maker of cellular phone handsets, or "terminals." These are the devices seen in the cars of businessmen or as hand-held phones carried by

engineers on building sites or by executives into board meetings.

To the west across the Baltic, Ericsson Radio Systems (ERS), a subsidiary of the Swedish telecommunications and office automation group, has delivered around 40 percent of the "invisible" equipment serving the 1.8 million cellular phone users, according to

Lars Jonsteg, manager of systems marketing at the cellular radio division of ERS.

The system components include digital exchanges and a network of base stations, one serving each cell. While Jorma Nieminen, president of Nokia-Mobira, declares that "the aggregate mass of mobile phones is the biggest part of the

mobile telephone industry," Mr. Jonsteg stresses that it is each system's capability that determines what customers can get out of their individual terminals.

"In Europe, we are number one, generally, and in world ranking, Nokia-Mobira was number one," said Mr. Nieminen. "This year we are among the top three, but the

differences among them are marginal. Our world market share is between 13 and 15 percent."

Despite its top position, Nokia's international profile is lower than the actual reach of its products. In the United States, it holds a market share of around 14 percent, but its mostly South Korean-made equipment is marketed under the

Tandy name through the Radio Shack chain.

"We have recently started a Nokia-Mobira unit in Florida, and the intention is that the market share with our own brand name will climb, from around 2 percent to 3 or 4 percent in the near future," Mr. Nieminen said. He added that "this has been agreed with Radio Shack." The unit sells Finnish-made Mobira models suitable for the U.S. AMPS system.

Internationally, he said that the fastest growing market is Britain. Nordic markets have grown 10 times faster than projected and some are saturated. "In Iceland, we will have to start selling to the sheep," quipped a Nokia-Mobira executive.

Both Nokia and Ericsson executives agree that the United States is the largest potential market for mobile telephones.

(In Geneva last week, the International Telecommunications Union, which groups some 100 countries, opened more frequency bands for mobile phones using satellite technology. The move was primarily designed to expand car and plane telephone service in North America.)

Sweden claims to have pioneered mobile telephony in 1955. However, the explosion of the cellular market really started in 1981, when the Nordic countries and Saudi Arabia opened the first stages of the Ericsson-developed Nordic Mobile Telephony (NMT 450) cellular system.

NMT in its 450 megahertz (Mhz) and 900Mhz (NMT 900) versions has been adopted by 16 countries and is one of four standards available in the world. It is regarded as one of the most flexible and most advanced. NMT is also the largest system in the world with about 20 percent of all the world's subscribers found in Denmark, Finland, Iceland, Norway and Sweden.

NMT as implemented in the Nordic area allows subscribers to automatically dial any direct-dial number in the world, and for automatic "roaming," or moving between areas controlled by different switching exchanges. This means a Finnish subscriber can travel to Norway and still take calls, for instance, while visiting a customer on an oil rig.

Roaming is still not possible with the U.S. AMPS standard sys-

Country	Number in use
Denmark	55,000
Finland	49,600
Iceland	2,000
Norway	38,100
Sweden	112,600

tems that cover single lines of access. In Europe, the next technological breakthrough will be the single digital mobile telephone network agreed to in principle by 16 countries. It will start operation in the early 1990s.

Although scrambling is available on present-day cellular equipment, the more expensive digital service will improve security. During the merger negotiations between Asea and Brown Boveri of Switzerland, for example, executives at the Swedish company were reportedly forbidden to mention the deal on their cellular phones even though hundreds of calls are made simultaneously on the Swedish network.

Mr. Nieminen of Nokia said that despite data transmission options available on his and competitors' equipment, cellular telephony is still primarily a voice medium and the growth of other services is slow.

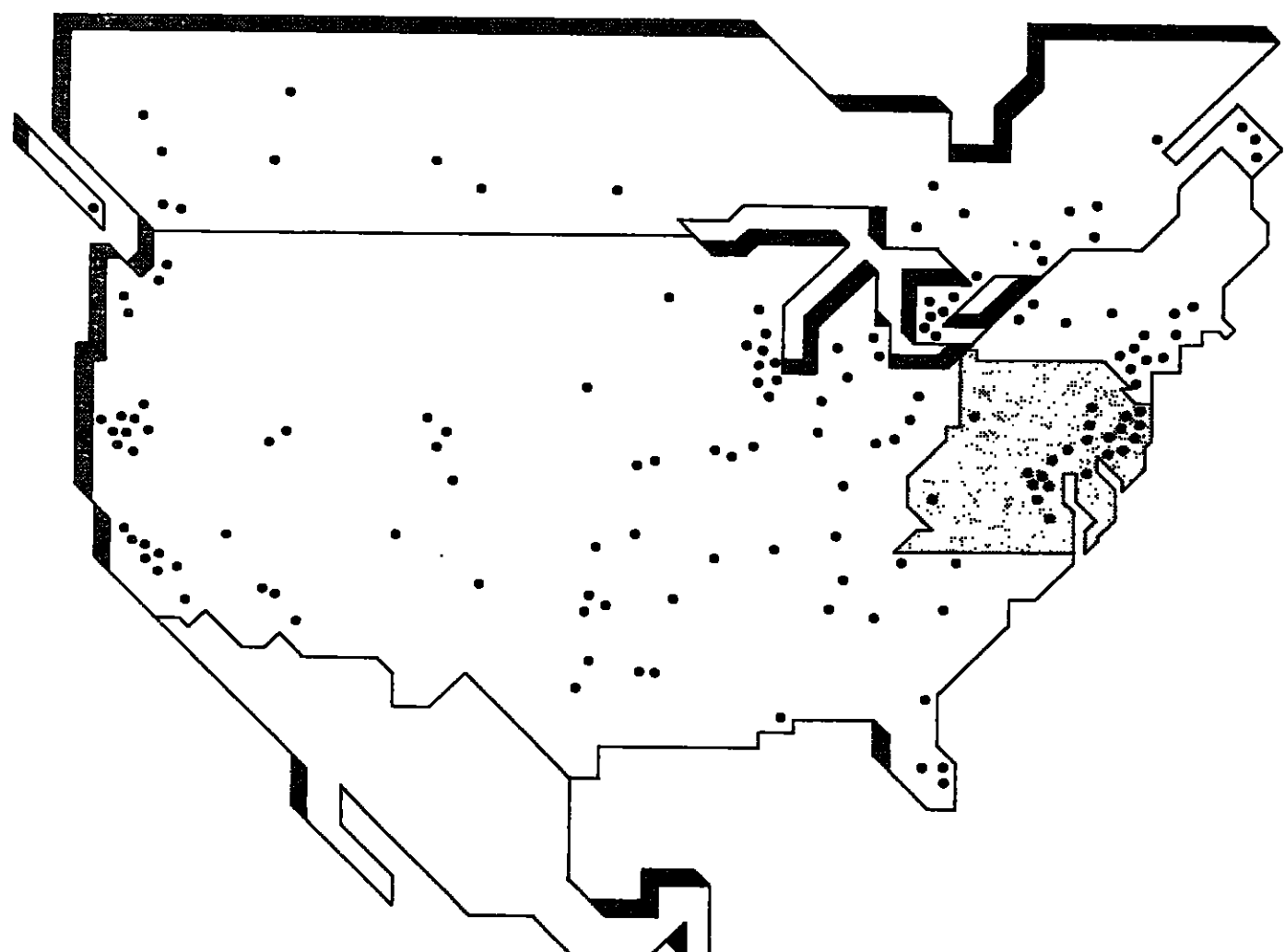
ERS can deliver equipment suited for all the major international standards, and the company uses its experience in systems planning as a major selling tool, according to Mr. Jonsteg.

"Cell planning is an important part of our service, and we work with the expectation that the systems we deliver will be expanded," he said. "Every 25th new subscriber requires a new channel, or 49 new channels per 1000."

Although it still regards itself as mainly a systems supplier, Ericsson entered the Nordic handset market with a campaign for its "Hotline" NMT 900 unit.

*JURIS KAZA, based in Stockholm, contributes regularly to the International Herald Tribune's business pages.*

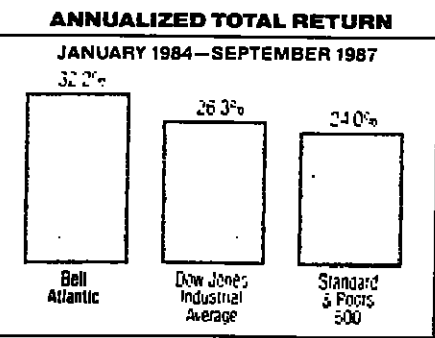
**ONE OF AMERICA'S LARGEST TELECOMMUNICATIONS COMPANIES IS ONE OF AMERICA'S LARGEST FINANCIAL SERVICES COMPANIES IS ONE OF AMERICA'S LARGEST INDEPENDENT COMPUTER MAINTENANCE COMPANIES.**



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## Americans Love 'Gadget' for Rich

By Calvin Sims

**N**EW YORK — When cellular mobile telephones were introduced four years ago, they were gadgets only of the rich and powerful. Now everyone from drug dealers in Miami to taco vendors in New York City has one.

Indeed, there are now 800,000 cellular phones in use in the United States, and they are changing the way Americans communicate and conduct business. And that number will rise to more than three million by 1990, a trade group, the Cellular Telecommunications Industry Association, predicts.

Improved technology and dropping prices have helped the phones become so popular. But even more important is their convenience. With a car or hand-held cellular phone, users can receive and return calls from almost anywhere, eliminating lost time and increasing productivity.

When Illinois Bell offered the first cellular service in Chicago in 1983, critics likened the new mobile phones to citizen band radios and called them a fad that would never last. But these critics failed to realize that, unlike citizen band radio users, cellular phone customers are not limited to talking with one another; they can call someone anywhere in the world.

Cellular phones also have a big advantage over their predecessors, the far more limited radio phones, which had been around for more than 40 years and are now virtually extinct. Each radio-phone system depended on a single powerful antenna and a few channels, so the service area was extremely limited and the number of possible users small.

Before cellular phones were introduced, there were only about 1,000 mobile telephones in New York City, and only 12 could be used at the same time. By contrast, a cellular system in a city can handle several hundred thousand users at once because it divides the area into small cells.

Each cell is 2 to 10 miles (3 to 16 kilometers) across and contains an antenna hooked to a low-power radio transmitter and receiver. When a car moves from cell to cell, the conversation is automatically transferred from antenna to antenna without the customer noticing.

The rapid proliferation of cellular phones and projections of continued strong growth have made companies involved in the business some of the hottest investment stocks in the country.

When McCaw Communications Inc. held its initial public offering last month, for example, the nation's largest cellular operator quickly sold more than 11 million shares at \$21.75 each, or more

than the \$17 to \$20 that analysts had expected.

Cellular phone carriers have invested more than \$1.7 billion in building their systems and will generate more than \$1 billion in revenues this year, analysts and industry officials predicted. By 1990, sales from cellular service should top \$3.6 billion, according to Dataquest, a San Jose, California, market research firm.

There are about 44 operators of cellular phone systems. The Federal Communications Commission licenses two carriers in each market. One of the two licenses is owned by the regional Bell telephone company serving the area. These so-called "wireline" franchises were granted to the regional companies when they were spun off from the American Telephone and Telegraph Co. in 1984.

The other, "non-wireline" franchise is owned by a private company, such as McCaw, which must bid for the license. After McCaw, which operates in 94 markets with a total population of about 37 million, the biggest non-wireline operator is the Lin Broadcasting Corp., which has licenses to serve areas in which more than 16 million people live, including New York, Los Angeles and Dallas.

Although the regional Bell companies cannot own the non-wireline franchise in their region, they have been buying up those in other areas. For instance, Southwestern Bell agreed in June to buy the cellular and paging operations of Metromedia Inc. for about \$1.2 billion. The deal still needs regulatory approval.

If the acquisition is approved, St. Louis-based Southwestern would become the second-largest player and would be competing with other regional Bell companies. In Chicago, for example, Southwestern would go head to head against Ameritech.

Although experts predicted that the market for cellular service would continue to expand, they said that the rate of growth would depend heavily on the cost of service and equipment.

The average cost of a car phone has dropped in the last two years from more than \$2,000 to \$1,400, with prices as low as \$900, but the average price of the more expensive portable phones remains at about \$2,300. The average monthly phone bill runs between \$100 and \$150, including a basic service charge and about 50 cents for each minute on the phone. And the cellular phone user is charged for incoming as well as outgoing calls.

"When the monthly costs to subscribers goes down, that's when the boom will really come," said Robert W. Maher, president of the Cellular Telecommunications Industry Association.

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*July 1987*

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# Cable Industry Basks In Rate Deregulation

By John Wolfe

WASHINGTON — At a recent financial seminar in New York City, the president of Cablevision Industries, Alan Berry, announced that his company plans to purchase a 33,000 subscriber cable television system in southern Florida for nearly \$120 million, a deal industry observers valued at well in excess of \$3,000 per subscriber.

That would be a record per-subscriber price for a system sale in the cable industry, where \$1,500 per subscriber was the ceiling for system transactions as recently as two years ago.

"We think it is the best business in America," said Richard MacDonald, a cable analyst and vice president of First Boston Corp. "Some of us do, anyway."

That bullish view was echoed by Andrew Wallach, a Paine Webber analyst, who wrote in a recent report that cable stocks are as popular now as Iowa farmland and all service stocks were in the late 70s. The cable industry, Mr. Wallach noted, is "currently basking in investor euphoria."

A number of factors have combined to create the current economic boom in the cable industry, according to many financial experts. Most importantly, federal deregulation of cable rates took effect at the beginning of this year, and with the freedom to raise monthly subscriber fees came increased operator cash flow.

Moreover, with the prime lending rate at 7.5 percent as recently as this spring, cheaper money was available to finance cable system acquisitions. And both the pace and value of cable transactions has increased.

Paul Kagan Associates, a research firm in Carmel, California, recently reported 118 cable system transactions through the first five months of 1987, involving 3.7 million subscribers with a total value of \$5.16 billion. Roughly the same number of systems changed hands during the same period last year, but the total value was only \$1.9 billion, with 1.4 million subscribers involved.

The players in the brisk cable acquisitions game include both new entrants bidding for a piece of cable business and established multiple cable system operators seeking to increase and consolidate their holdings. For example, Tele-Communications Inc., America's largest multiple system operator, has embarked on an aggressive acquisitions campaign and now controls roughly five million of the nation's estimated 44 million cable subscribers.

The new entrants include Jack Kent Cooke, owner of the Washington Redskins football team and founder of what eventually became Group W Cable. Mr. Cooke entered the cable business in January when he bought McCaw Communications cable systems for \$1,750 per subscriber, among

the top prices paid for cable properties at that time.

In June, he purchased systems from First Carolina Communications serving approximately 167,000 subscribers. Mr. Cooke's cable operating company, Cooke Media, has rapidly become one of the nation's larger multiple system operators.

Some experts have estimated that the cable industry's aggregate cash flow for 1987 could reach \$6 billion. Paine Webber, meanwhile, has predicted that operators' cash flow will increase by 12 percent annually through 1991.

Increased revenue can be particularly beneficial to industries such as cable, which have a high degree of fixed costs due to

The industry's aggregate cash flow for 1987 could reach \$6 billion.

largely completed construction of physical plant.

"The incremental profit margin is very, very high," Mr. MacDonald explained. "For every new dollar of revenue, 75 cents can be profit."

Greater cash flow has been fueled primarily by the widespread rate increases made possible when Congress deregulated the cable industry in late 1984. Rate deregulation took effect on Dec. 31, 1986, and the Cable Television Administration and Marketing Society (CTAM) has found that, on average, the price of basic cable service has increased about 21 percent.

According to Paine Webber's Mr. Wallach, most operators raised basic fees by 10 percent to 12 percent during the first quarter of 1987. Cable industry "hawks," he noted, raised their rates by 20 percent or more. Beyond 1987, Mr. Wallach predicted that operators as a whole would raise their rates by one dollar, or about 8 percent per year.

Thus far, according to analysts and industry officials, the rate hikes have generated little subscriber fallout. "This product has yet to reach any resistance from consumers because of price," Mr. MacDonald observed.

Indeed, for many cable companies, the first three months of deregulation saw significant increases in the number of cable

## Who's Who in Cable Acquisitions

Buyer	Deals	Subscribers	Value
Tele-Communications Inc.	6	793,000	\$1.25 bil.
Jack Kent Cooke	2	589,000	\$1.04 bil.
Cablevision Systems	7	278,000	\$529 mil.
Adelphia Communications	3	173,000	\$347 mil.
Robert Bass	2	159,000	\$345 mil.
Simmons Communications	1	106,000	\$182 mil.
First Carolina Communications	2	103,000	\$173 mil.
United Artists	1	90,000	\$150 mil.
Falcon Cable	8	78,000	\$131 mil.
Cablevision Industries	3	70,000	\$110 mil.

Source: 1987 Cable TV Investor, estimates of Paul Kagan Associates Inc., Carmel Calif.

subscribers. The president of Tele-Communications Inc., John Malone, head of the nation's largest multiple system operator, has said that the first quarter of this year was his company's best in terms of signing up new customers.

Most industry officials credit the increased subscriber rolls to the marketing practices that accompanied the rate increases. Many cable operators, for example, added a host of new cable networks to the basic tier when the price for that level of service went up. Also, most companies combined increases for basic service with slight decreases in the price subscribers pay for premium networks such as Home Box Office, Showtime and the Disney Channel.

Cable cash flow has been further bolstered by the emergence of alternative revenue sources such as the recent home shopping phenomenon. Many of those home shopping networks are partly owned by cable companies, and virtually all the services offer a commission to system operators for purchases made by their subscribers. Other revenue sources include still-developing pay-per-view services and advertising sales, which operators claim have not nearly reached their potential.

However, industry leaders have cautioned that the rising prices of cable systems can not be justified solely by rate increases, and many cable companies have placed a renewed emphasis on increasing the industry's penetration in U.S. television households. Cable's current penetration rate is 50 percent, meaning that roughly half of all U.S. television homes receive cable. But an estimated 43 percent of those homes with cable available refuse to subscribe.

To attract those who could buy cable but will not, operators are banking on improved programming unavailable through other means. The past year has seen cable companies increasingly investing in cable networks, and most popular cable networks now have at least some degree of operator ownership.

Most recently, for example, a group of about 30 multiple system operators, bought

into the financially troubled Turner Broadcasting System, which owns Cable News Network, CNN, Headline News and Superstation WTBS. TBS chairman, Ted Turner, now hopes to launch Turner Network Television, a cable-exclusive service that will bid for the rights to major events currently monopolized by broadcast television.

The cable industry's increased support for its programming services has had a visible impact on those services' bottom line. Dennis Leibowitz, media analyst at Donaldson, Lufkin & Jenrette, recently predicted that the basic cable networks will earn \$250 million during the next fiscal year — a figure that nearly matches the \$270 million the three major broadcast networks earned last year.

With upbeat financial prospects for both cable operators and networks, the value of the cable industry's assets is now nearly double that of the broadcasting industry. The total value of the cable industry is roughly \$67.1 billion, Broadcasting magazine recently reported. By contrast, the aggregate value of the entire television broadcasting industry is about \$38 billion, the magazine calculated.

But cable's growing economic clout does not sit well with the industry's traditional competitors: broadcasters and program producers.

These groups, led by their trade associations in Washington, have been lobbying Congress and the Federal Communications Commission to reregulate cable.

Many financial analysts, however, appeared undeterred by the prospect of open government action. A Silverman, Leibman & Brothers analyst, Edward Hatch, for example, recently advised investors that the financial impact of any cable industry regulatory compromise "should be minimal" and "should not detract from cable's attractive media franchise and excellent growth prospects."

JOHN WOLFE is the managing editor of CableVision Magazine.

# National Systems Resist Value-Added Networks

By Vivian Lewis

PARIS — Paribas, the leading French investment bank; Credit Agricole, the second largest commercial bank; Sema-Metra, a leading software company, and IBM are not companies that ignore the law.

Yet by creating a new company offering value-added network data transmission services in France in competition with the telephone company's Transpac system, this quartet of multinational banks and companies was in violation of French law. Until the law is changed in France, private value-added networks (VANs) are not allowed to compete with the French telephone company, which, like those in many European countries, is operated by the post office.

The conservative government of Prime Minister Jacques Chirac is committed to deregulating the telephone system in France, but it has already put off its earlier target for submitting new legislation before the end of this year. Given that there will be elections early next year, many observers feel the law will not be passed in time, and the new VAN company will have to be legalized by a special decree.

This confusion is not confined to France. Following the major deregulation of the telephone monopolies in the United States, Japan and Britain, other European countries where the telephone company is run by the post office, such as the Netherlands, Spain and Finland, are also planning changes. Outside Europe, even Israel is working on deregulation.

However, one major country, West Germany, is resisting pressure for change. The West German Bundespost has blocked international standard modems and interconnection devices from working on German telephones. This policy is supported by both the Christian Democrats and the Social Democrats. Only the Free Democratic Party favors changing the system.

The Germans argue that their public telephone system is required by law to operate as a public service whatever the cost. This means that large computerized users of telephone lines have to be charged in order to subsidize, for example, the provision of telephone lines to isolated farms in the Bavarian Alps. In part because of German domestic politics, progress on international deregulation of data transmission services has been blocked.

But West Germany is not the only country where other concerns have blocked the rise of telecommunications VAN competition. There are other reasons, such as the protection of national sovereignty and infant industries, fear of cultural imperialism or powerful multinational corporations, that have led some countries, particularly in Latin America, to resist the pressure for change.

A major obstacle to cross-border data transmission and processing is the protection of privacy and the right of reply. Fear that information that is nobody's business and that cannot be corrected by the subject is being leaked outside the country has led many European countries to enact privacy protection laws that interfere with data flows. The Scandinavian countries, Austria and Luxembourg are particularly active in this respect.

But other countries are anxious to keep data home in order to protect data processing jobs or to maintain their ability to develop hardware and software



DAVID GELBERG

for new applications. This is a form of protectionism. Many countries insist that they are protecting their networks by setting up technical barriers to use of foreign equipment that may harm or overload their systems. The proliferation of technical standards interferes with international operations and acts as a kind of non-tariff barrier to telecommunications flows.

The United States, having pioneered the idea of telephone services competing with one another, is at the fore of deregulation although it draws limits to that policy.

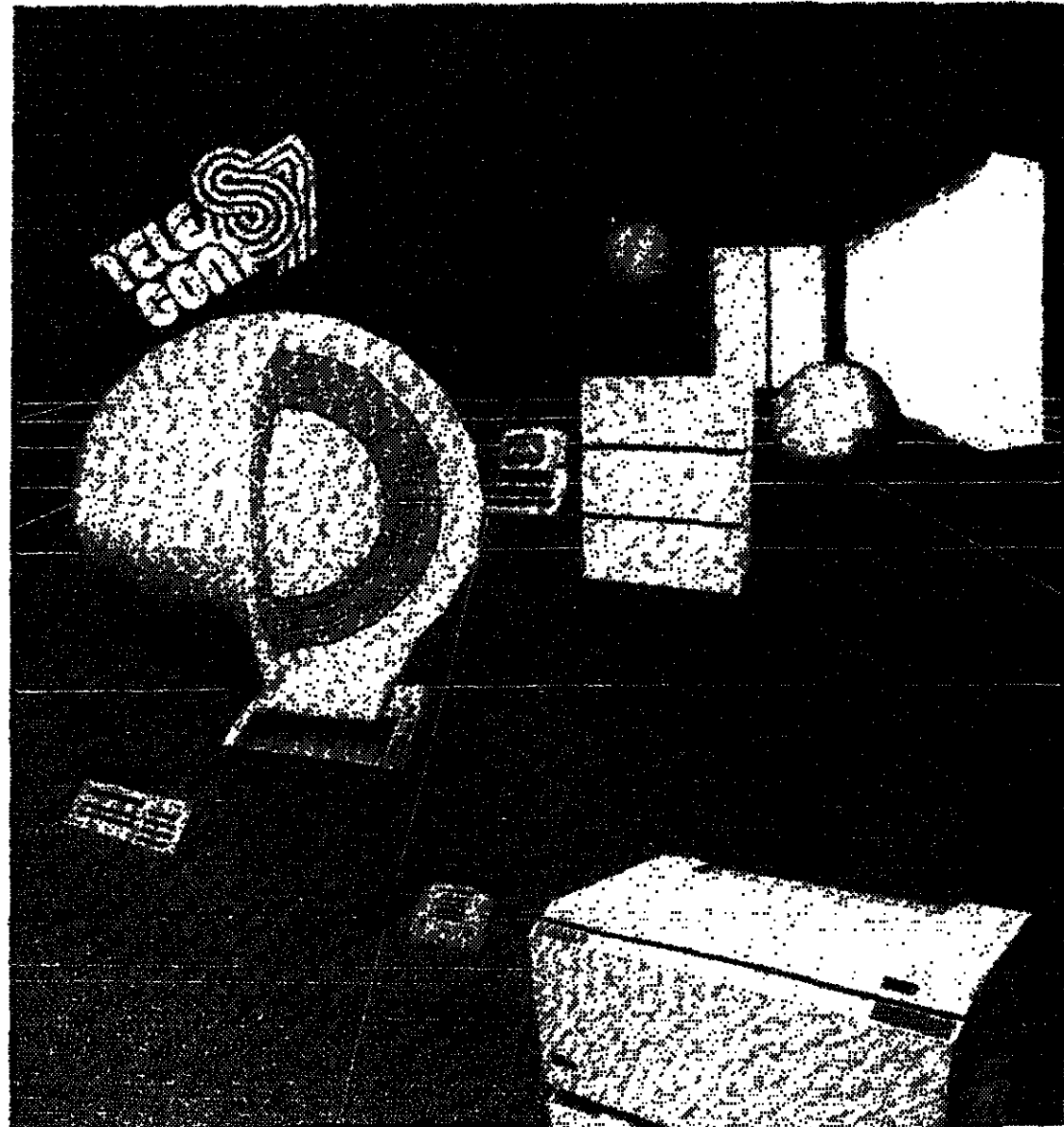
During the Carter administration, to stop Dresser Industries' French subsidiary from making large-diameter oil pipelines to sell to the Soviet Union after the Soviet intervention in Afghanistan, the United States required that the parent Dresser firm cut it off from access to the computer it needed to design them.

One way it is hoped to remove obstacles to the development of an international market is through the talks on freer trade in services that will go on over the next several years in Geneva under the Uruguay Round of the General Agreement on Tariffs and Trade.

But unless there is a shift in West German policy, the European Community, which negotiates as a bloc in trade talks, will not be able to negotiate any major deregulation of international telecommunications and data processing.

VIVIAN LEWIS is a Washington-based financial journalist, formerly reported from Paris.

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The French earth observation satellite.

# SPOT Adds New Technical Dimension to Spying

By Judson Gooding

**P**ARIS — The art — or science — of espionage has taken on a new and global dimension, thanks to the astonishing capabilities of France's SPOT space photo satellite, the most advanced remote-sensing civilian satellite in the world.

With SPOT — the acronym stands for the French name, *Système Probatoire d'Observation de la Terre* — naval officers from small countries with limited military budgets can get a low-cost fix on the enemy's harbor defenses and fleet disposition; businessmen can study the progress of their competitors' new plants being built in Taiwan, and journalists can dazzle their readers with "forbidden" pictures of the damaged Soviet reactor at Chernobyl, or Pakistan's uranium enrichment plant at Kahuta, which may soon allow that country to produce nuclear weapons.

However, France and the two countries that participated with modest shares, Sweden and Belgium, did not make the \$350 million commitment of resources necessary to create the sophisticated satellite just to satisfy the curiosity of newspaper readers or businessmen or military leaders.

SPOT was created to furnish hitherto unavailable information to science, agriculture, forestry, environmental specialists, urban developers and other such users. The intelligence and espionage ap-

plications are serendipitous, but they certainly help to defray costs.

Now, after a year and a half of operation and more than 6,300 orbits of Earth, SPOT has proven the validity of its design. It outperforms the only other civilian Earth-observing satellite orbited thus far, the U.S. Landsat, which was sent up in 1972.

(The recently announced Soviet high-resolution earth photo offerings are not considered to be from a civilian source, and there are no precise indications yet of just how much the Soviets will be willing to show, or exactly what their service and repeat delivery capabilities may be. The Soviet system uses photo images, which have limited applications compared to SPOT's digitized data images.)

SPOT records images of the Earth shot from 514 miles (834 kilometers) up, using 8-foot (2.4-meter) 551-pound (251-kilogram) telephoto lenses. It can show objects as small as 30 feet long, whereas the Landsat is restricted, by Defense Department regulations, to showing nothing smaller than 100-foot objects.

SPOT's higher resolution power, or acuity, makes its pictures far more informative. (Military satellites, both American and Soviet, fly lower and have much greater resolution powers; they can, for example, pick up car license plate numbers, but their pictures are, of course, not generally available.)

"With its high resolution, SPOT brought remote sensing out of the closet and into the information age," said Mark

Bender, an editor for the American Broadcasting Company in Washington who is chairman of a media task force on remote sensing.

The French satellite introduces a number of advantages in addition to its sharper eye. Unlike Landsat, it can deliver

**'SPOT brought remote sensing out of the closet and into the information age.'**

three-dimensional images. It can re-photograph a specified site within 24 days for comparisons, charting the growth of crops or the advance of a forest fire, compared with 16 days for a repeat shot by Landsat. It can deliver images in wave lengths not otherwise available.

The three-dimensional effect is made

possible by using directional mirrors, which, controlled from the earth station, permit it to look sideways from orbit rather than straight down. This oblique view can then be shown as is or it can be corrected by computer processing so that it appears to be straight down, and it can be combined with views at other angles to produce pictures in "stereo."

It is this capability for shooting pictures sideways, and having them appear to be directly below that, by vastly widening the area covered in each sweep, allows SPOT to view any given place with twice-a-week or greater frequency.

SPOT was put together by Matra, the space and defense contractor, with the collaboration of 12 major subcontractors, working under the direction of France's space agency, the National Center for Space Research. It is highly complex and sophisticated, with on-board altitude and orbit sensors and controls, computer control of camera programming, a solar power and storage system, and the ability to acquire 24 million information bits per second. It has worked perfectly since being launched by an Ariane rocket from the space station in French Guyana.

Its giant cameras record what it sees, line by line, dot by dot. The light is changed into electrical signals, which are then amplified, digitized and transmitted. When the data are received at the Earth station, they are decoded and constitute a picture.

The images are available for sale to

whoever wants to order them and is willing to pay the price: from \$400 up for black-and-white prints or \$410 for color. Customers can order simply by defining the area they want covered. The variety of uses is wide.

Foresters monitor the growth of newly planted seedlings and the advance of forest fires; farmers and agronomists watch for changes in soil moisture and for the spread of disease in crops; geologists seek out patterns that can indicate mineral or oil deposits under the surface; cartographers keep tabs on changes in urban areas and on the spread of suburbs and the advance of new roads and of deserts; commercial fisheries watch thermal ocean currents that may help locate schools of fish.

France's national space agency is preparing to launch a second, improved SPOT — SPOT-1 will last only 2½ years in orbit — in 1989. It also has SPOT-3s and SPOT-4s in preparation for launch.

Meanwhile, Japan, West Germany and the European Space Agency are working on plans for their own earth photographic satellites. There would seem to be considerable room for competitors in a market that observers predict may total as much as \$4 billion annually by the year 2000.

**JUDSON GOODING**, the European correspondent for *Omni* magazine, is the author of "The Job Revolution" (Walker & Co., New York).

# Cable TV Challengers Waging Uphill Battle to Break Into Market

By John Wolfe

**W**ASHINGTON — While the U.S. cable television industry has prospered over the past year, alternative technologies such as backyard satellite receiving antennas and microwave-delivered "wireless cable" systems have met with little success in their efforts to secure a foothold in the video marketplace.

Proponents of these competing technologies lay much of the blame for their struggles on the cable industry, which they view as having a chokehold on the distribution of popular satellite-delivered programming services. Access to that programming, they maintain, is crucial for the backyard dish industry and wireless cable operators to survive.

Doug Malmgren, for example, is seeking financing to expand a five-channel wireless cable system in Billings, Montana. His fundraising, however, has been hampered by his inability to offer the most popular cable services to Billings homes. Potential investors have been "seriously concerned about my lack of quality programming," Mr. Malmgren said during a recent Wireless Cable Association convention here.

Nearly all of the popular satellite-delivered programming services were created for cable

distribution; and lately, many major cable companies have bought equity interest in most cable networks. Most recently, a consortium of 30 cable operators bought nearly 50 percent of Turner Broadcasting System, owner of the popular Cable News Network and Superstation.

That ownership, cable critics say, has translated into little incentive to deal with potential competitors to traditional cable systems — a development that backyard dish and wireless cable officials consider the chief obstacle in their path to commercial success.

The backyard dish industry, for example, had flourished as recently as two years ago, when 1.5 million home antenna systems had been installed, and industry executives had predicted that 3.5 million homes would be equipped with satellite dishes by the end of 1986.

But cable networks also began to scramble their satellite signals that year, forcing dish owners to purchase a \$400 decoder box and pay monthly subscription fees to view programming they previously had viewed for free. Dish sales plummeted from 750,000 units installed in 1985 to 215,000 installed in 1986, according to the Satellite Broadcasting and Communications Association (SBCA).

Now, as more and more services scramble, the emphasis has shifted to delivering packages

**The cable industry is accused of having a chokehold on the distribution of popular programming services delivered by satellite.**

of programming direct to home dish owners. Both cable companies and individual programmers have launched competing packages, and those efforts, combined with more readily available decoders, have led to a mild resurgence in the backyard dish business. Monthly dish sales which were as low as 16,000 in June had risen to 28,000 in September, the Satellite Broadcasting and Communications Association said.

Moreover, programmers recently have begun to cooperate more with dish dealers. Many networks, for example, permit dealers to serve also as agents, earning commissions for programming subscriptions.

"Scrambling at first was perceived as a very

negative thing," observed Hal Haley, owner of Davis Antenna and the chairman-elect of the SBCA. Now, he said, "we're starting to realize that it can be a positive thing. We're in the programming business." Mr. Haley predicted that nearly 600,000 dish systems would be installed in 1988.

Satellite industry officials have also identified some technological developments that have helped the backyard dish industry recover. For example, about 60 percent of all new satellite system sales are integrated units including a decoder. Also, new "flat plane" satellite antennas will be introduced in the United States early next year and may be available for residential use by the end of the year. Those

systems, which could sell for under \$1,000, can be mounted on a wall or roof and are ideal for urban residents.

But the backyard dish industry is still at odds with the cable industry over whether independent companies should be allowed to package satellite programming. To date, however, only programmers and cable operators are able to offer packages to dish owners.

Dish industry advocates have claimed that third-party packaging is necessary to bring subscription prices down, and many organizations, ranging from Amway Corp. to the nation's rural electric cooperatives, are seeking rights to distribute scrambled programming. Significantly, their efforts have won the sympathy of key legislators, most notably the presidential candidate Senator Albert Gore Jr., Democrat of Tennessee, who has accused the cable industry of exerting monopoly control over programming.

Senator Gore and other dish advocates have introduced legislation that would require satellite programmers to deal with third-party distributors. Industry observers have predicted that the Senate will pass that measure later this year, but the prospects for a companion bill moving in the House of Representatives are far less certain.

The nascent wireless cable industry has also found a champion: Representative Charles E.

Schumer, Democrat of New York, who has urged the Department of Justice to investigate programmers' alleged refusal to deal with alternative technologies. Addressing wireless cable operators at their recent convention here, Mr. Schumer promised to do "whatever it takes" to inject competition into the cable industry.

Justice Department officials have not responded publicly to his request. The department recently examined cable's scrambling plans, however, and told a House subcommittee that it had not uncovered any antitrust violations.

Wireless cable is the common name given to multipoint multichannel distribution systems (MMDS), which the Federal Communications Commission has authorized in most U.S. cities. Under amended FCC rules, MMDS operators can now strike deals with other local microwave licensees, resulting in nearly 20 channels in some communities available for delivery to homes equipped with small microwave receiving antennas.

To date, there are about a dozen wireless cable systems operating in cities ranging from Cleveland, Milwaukee and Philadelphia to Billings, Montana, and Salina, Kansas. The industry's showcase has been MetroTEN's Cleveland system, which operates in one of the few U.S. cities still not wired for cable.

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Tuesday's NYSE 3pm

Table with columns: 12 Month High/Low, Div. Yld. PE, 52 Week High/Low, 1 P.M. High/Low, 3 P.M. High/Low. Includes sub-sections (Continued), M, N, O, P.

Table with columns: 12 Month High/Low, Div. Yld. PE, 52 Week High/Low, 1 P.M. High/Low, 3 P.M. High/Low. Includes sub-sections Q, R, S, T, U, V, W, X, Y, Z.

Table with columns: 12 Month High/Low, Div. Yld. PE, 52 Week High/Low, 1 P.M. High/Low, 3 P.M. High/Low. Includes sub-sections AA, AB, AC, AD, AE, AF, AG, AH, AI, AJ, AK, AL, AM, AN, AO, AP, AQ, AR, AS, AT, AU, AV, AW, AX, AY, AZ.

Table with columns: 12 Month High/Low, Div. Yld. PE, 52 Week High/Low, 1 P.M. High/Low, 3 P.M. High/Low. Includes sub-sections BA, BB, BC, BD, BE, BF, BG, BH, BI, BJ, BK, BL, BM, BN, BO, BP, BQ, BR, BS, BT, BU, BV, BW, BX, BY, BZ.

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Table with columns: 12 Month High/Low, Div. Yld. PE, 52 Week High/Low, 1 P.M. High/Low, 3 P.M. High/Low. Includes sub-sections DA, DB, DC, DD, DE, DF, DG, DH, DI, DJ, DK, DL, DM, DN, DO, DP, DQ, DR, DS, DT, DU, DV, DW, DX, DY, DZ.

Floating-Rate Notes

Table with columns: Issuer/Mat., Coupon Next, Bid, Ask. Includes sub-sections Dollars, Pounds Sterling, Deutsche Marks, Japanese Yen, E.C.U.

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By: The Chase Manhattan Bank, N.A. London, Agent Bank

October 21, 1987

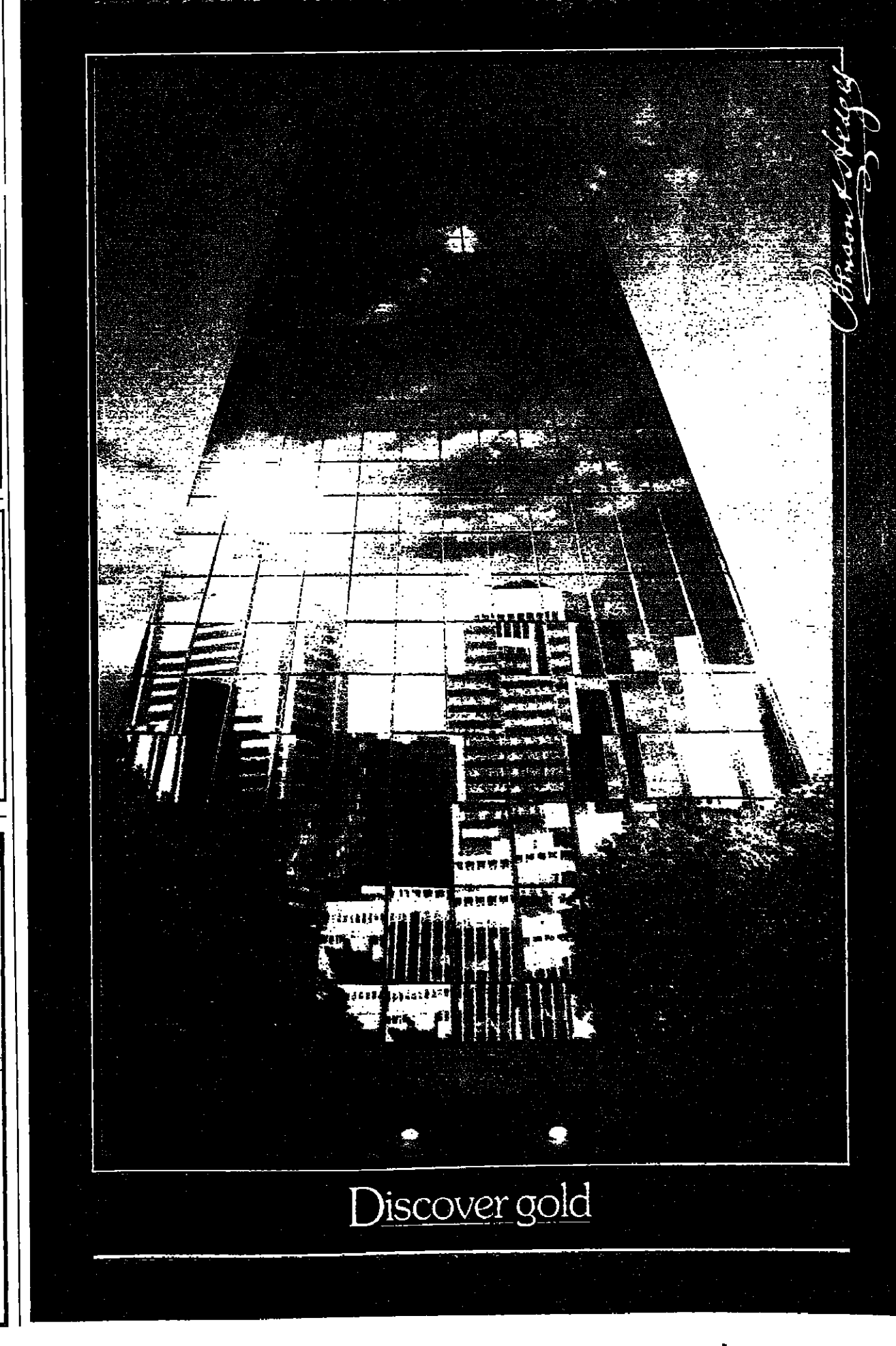
Marietta Awards Contract On Rockets to Hercules

BETHESDA, Maryland — Martin Marietta Corp. said Tuesday that it will award a contract, expected to exceed \$500 million, to Hercules Aerospace Co. for 17 sets of solid rocket motor to power the Titan 4 launch vehicle.

The motor, will be manufactured at Hercules' Rockwell West facility near Salt Lake City, Utah, Martin Marietta said Tuesday. Hercules headquarters is in Wilmington, Delaware.

The initial Titan 4 launches will use seven-segment motors that can carry a 10,000-pound satellite to a parking orbit. Hercules will make an upgraded three-segment version that can carry 12,500 pounds.

Martin Marietta has an Air Force contract to build and launch 25 Titan 4's — the first in late 1988. The upgraded rocket is expected to be available by late 1990.



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**Tuesdays AMEX 3pm**  
Via The Associated Press

12 Month High	12 Month Low	Stock	Div. Yld. PE	52 High	52 Low	1 P.M. Quot. Chg.
112	95	Amgen	20 2.9	1371	770	7
100	85	Astron	10 1.5	101	65	1
95	80	Astron	10 1.5	101	65	1
90	75	Astron	10 1.5	101	65	1
85	70	Astron	10 1.5	101	65	1
80	65	Astron	10 1.5	101	65	1
75	60	Astron	10 1.5	101	65	1
70	55	Astron	10 1.5	101	65	1
65	50	Astron	10 1.5	101	65	1
60	45	Astron	10 1.5	101	65	1

12 Month High	12 Month Low	Stock	Div. Yld. PE	52 High	52 Low	1 P.M. Quot. Chg.
112	95	Amgen	20 2.9	1371	770	7
100	85	Astron	10 1.5	101	65	1
95	80	Astron	10 1.5	101	65	1
90	75	Astron	10 1.5	101	65	1
85	70	Astron	10 1.5	101	65	1
80	65	Astron	10 1.5	101	65	1
75	60	Astron	10 1.5	101	65	1
70	55	Astron	10 1.5	101	65	1
65	50	Astron	10 1.5	101	65	1
60	45	Astron	10 1.5	101	65	1

Continued on Page 13

**WORDS.**

**FACTS.**

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How a Long Market Collapse Could Affect Jobs, Pensions

By Barry James

PARIS — Even those who never owned a share in their lives could be affected as the dramatic decline in stock values ripples through the economy, many analysts say.

Although the effect for the moment is more psychological than actual, economists say a long-lasting stock market collapse could eventually have a broad and profound impact on jobs, pensions and savings.

The plunge affects even those without direct stock investments.

Many people who do not own shares have an indirect stake in stock exchanges through their investments in pension funds and insurance companies. If they don't invest, the companies they work for probably do, which means there will be less money around to provide wage increases or jobs.

"In short, the man in the street could find himself on the street," said Bill Martin, an analyst with the brokerage firm Phillips & Drew in London. He said the decline in stock values could be followed by a general "scaling down" of economic activity because it is likely to be followed by a lessening of demand and investment, first in the United States and then in other countries.

"This affects even those who don't have direct investments in stocks," said Henry Kaufman, chief economist of Salomon Brothers in New York. "If you're just an average citizen, you're working somewhere, and the developments in the financial markets today may influence the company you work for. It may result in cutbacks."

"The stock market decline is likely to have a depressing effect on spending and investment, whether by individuals or corporations," said Brendan Brown, an economist with County Natwest in London.

HE SAID the fall in stock values could be followed by declines in other investments that have risen sharply in value, such as real estate or the art market. Both he and Mr. Martin predicted interest rates would come down.

"The rise in both the stock market and house values stemmed from the same thing — the euphoric sense that the economy would continue to be wonderful," said Benjamin E. Friedman, professor of economics at Harvard University. "If the stock market is telling us the bubble has popped, and people are taking more realistic view of the economy's future, then that same bursting of the bubble could affect the prices of houses and other assets. And that's the level where the average citizen could be affected."

The market's plunge has cut the spending power of investors who planned either to sell stocks soon or to use them as collateral for major purchases, such as a home or automobile. In France and Britain, the decline in share prices could have political as well as economic ramifications. Millions of people have been attracted into the market for the first time by denationalization plans that made it relatively easy to buy a stake in state-owned companies. Prime Minister Margaret Thatcher of Britain seeks of a "property-owning democracy" and owes her election success in part to a new class of small investors with shares in such companies as British Telecom and British Gas.

France has six million direct shareholders, three times as many as when the center-right government began selling state-owned companies a year ago. The man responsible for that policy is Jacques Chirac, the prime minister, who is expected to run in next year's presidential elections.

In contrast, West Germans have tended to steer clear of stocks and other speculative investments. "They are not risk minded," said Peter Pietsch, an economist with the Commerzbank in Frankfurt. "And the fall in share prices is not likely to affect so many people here as in the United States and some other countries."



GLOOMY READING — The front pages of Australian newspapers on Tuesday morning reflected Monday's plunges, then world markets began another day of turmoil.

U.S. Treasuries Surge In Flight From Stocks

Compiled by Our Staff From Dispatches

NEW YORK — Prices of U.S. Treasury securities, especially the shortest-term obligations, continued to soar Tuesday as investors flocked from the stock market into safe-haven investments in chaotic trading, dealers said.

The higher prices on Treasury bills — government paper that matures within one year — pushed their yields sharply lower. Longer-term securities also benefited, with the benchmark 30-year bond climbing 2.75 points from Monday's closing levels. The bond rose 4 points on Monday.

A 1-point change is equal to \$10 for every \$1,000 in face value. Although corporate bonds firmed by 1 to 5 points, prices of so-called junk bonds fell by a similar amount in hectic trading. Dealers said Monday's stock market drop has ignited concerns over the liquidity of many heavily indebted issuers of these below-investment-grade securities.

Wall Street's slide made investors much more cautious, said one analyst. "They are shunning stocks and junk bonds. They'll buy Treasuries or high-quality corporates." Bond traders said they were reassured by affirmation from the Federal Reserve Board chairman, Alan

Greenspan, that the Fed stands ready to provide liquidity to support the economy and the financial system.

"The Fed's saying we will provide liquidity for the economy," said one economist. He added that the central bank was implying that "we're not going to allow bank failures and the sort of things associated with 1929" the year of the stock market crash that precipitated the Great Depression.

Opening New York trading was frenzied, with the government's 30-year bond briefly surging about 6 points to trade above 98, an unprecedented price swing of 12 points from Monday's low of 85 27/32.

Prices of U.S. Treasury bonds, traded around the globe in a 24-hour market, followed a similar hectic pattern in London. Dealers there said buying pressure was intensifying as equity prices worldwide deteriorated.

Dealers said that pin-pointing opening prices in New York was difficult, as the spread between bids and offers widened to as much as 1 point, sixteen times greater than usual.

"It is absolute chaos," a government bond salesman said.

In fact, some bond-trading firms said they had stopped making normal, two-way markets because of the record price swing.

Instead, the firms, in an attempt to calm the market while still providing liquidity, were executing orders only on a negotiated basis with their customers, dealers said.

Despite the Dow Jones industrial average's snap back in early trading from Monday's 508-point plunge, prices of bills rose so quickly in New York by midday that the three-month bill yield dropped 194 basis points, or hundredths of a percentage point, to 4.90 percent from 6.84 percent at Monday's bill auction.

With long-term bond prices also gaining from the exodus of capital from the equity markets, the 8 1/2

See BONDS, Page 13

Small NYSE Firm Closes, Others Are Called Sound

Compiled by Our Staff From Dispatches

NEW YORK — H.B. Shaine & Co., a small Midwest brokerage firm, said Tuesday that it was financially unable to continue trading on the New York Stock Exchange, while rumors swirled here and in London that some major houses were near bankruptcy because of losses suffered from Monday's historic decline.

But the NYSE vice president, Richard Torrezano, said that no major member of the exchange had reported financial difficulties.

Meanwhile, New York commercial banks began restricting their foreign-exchange dealings with U.S. investment firms Tuesday because of concern about the creditworthiness of the latter, inter-bank currency dealers said.

Hugh Makens, an attorney for Shaine, blamed the firm's closing on Monday's 508.33-point loss in the Dow Jones industrial average. He did not disclose how much money Shaine had lost, except to say that it was substantial.

Shaine was a full-service NYSE broker with offices in Grand Rapids, Michigan, and Aurora, Illinois. Mr. Torrezano said that Shaine had been the only NYSE firm to encounter

difficulty since Monday, and added that "our systems are doing extremely well."

Spokesmen for four major securities houses — E.F. Hutton & Co., Shearson Lehman Brothers Inc., Salomon Brothers Inc. and Goldman, Sachs & Co. — strongly denied rumors that the massive market decline had driven their companies near bankruptcy. They were reacting to reports that circulated in the United States and in foreign markets as far away as Sydney.

Charles Brophy, head of public relations for Salomon Brothers, called the idea "ridiculous." "I think these rumors are way out of hand," he said, adding that the brokerage still has more than \$3 billion of capital.

A E.F. Hutton public relations officer, Bob Sharkey, called the rumors "absolutely false."

In late trading, Hutton's stock was down \$9.125 a share, to \$14, on the NYSE on volume of about 1.2 million shares. Its average daily volume is about 238,000 shares. Hutton released a statement saying it "knew no reason" why its stock had fallen significantly and its chief financial officer, Edward J. Lill, said Hutton is facing "no problems" with liquidity.

In London, John Hewitt, the managing director of Scrimgeour Vickers, a British brokerage acquired by Citicorp, said that while the firm had a trading loss "of £2 million [\$3.3 million] Monday and we expect a loss of 3 million today," the losses were easily sustainable.

Other firms, while acknowledging that losses were inevitable as brokerages were forced to hold shares unloaded by panicked investors, insisted that they were in no danger of a liquidity crisis or insolvency.

"There's going to be some pretty severe pain," said Terry Smith.

John Aitken, a banking analyst with the brokerage County Securities, said: "Basically, if you want to be a big player in the London market, the argument is that you would have to be a market-maker — one who would be willing to buy stocks from a client and hold on at your own risk."

"But when there's a 300-400 point drop in the market, like the 20 percent drop we've seen here in the past two days, that package is going to be worth a lot less at the end of the day." (AP, Reuters, IHT)

U.S. Housing Starts Climb 4.4%, Most in 9 Months

The Associated Press

WASHINGTON — The rate at which builders broke ground for new homes jumped 4.4 percent in September, the biggest gain in nine months, the government said Tuesday.

The Commerce Department also said that housing starts were unchanged in August from July, instead of being down 1.5 percent as previously reported.

Construction on new homes and apartments was begun at a seasonally adjusted annual rate of 1.67 million units in September and at a revised rate of 1.6 million in August, the department said.

The September increase was the sharpest gain since a 10.8 percent advance in December. It left analysts somewhat surprised, since many had been forecasting further declines in construction, after mortgage rates rose sharply last month.

The nationwide average for fixed-rate mortgages hit 11.58 percent last week, its highest level in almost two years.

After reaching a nine-year low of 9 percent in March, mortgage rates have been rising, dampening home sales and construction.

For the first nine months of this year, housing construction was down 10.2 percent from the like period in 1986.

Building permits, considered a good sign of future activity, fell 0.6 percent in September, after an increase of 1 percent in August.

Currency Rates

Table with columns for currency types (D.M., S.F., P.F., etc.) and rates. Includes sub-sections for 'Other Dollar Values' and 'Forward Rates'.

Interest Rates

Table with columns for currency types (Dollar, Swiss Franc, Sterling, etc.) and interest rates. Includes sub-sections for 'Money Market Funds' and 'Asian Dollar Deposits'.

U.S. Money Market Funds

Table with columns for fund names (Merrill Lynch Ready Assets, etc.) and interest rates.

Gold

Table with columns for locations (Hong Kong, Luxembourg, etc.) and gold prices.

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FIGURES AS AT DECEMBER 31, 1986: TOTAL ASSETS: US \$ 168 billion SHAREHOLDERS' EQUITY: US \$ 1.6 billion



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# Corporate Buybacks Give Market a Lift

Compiled by Our Staff From Dispatches

**NEW YORK**—U.S. corporations stepped into the market Tuesday to repurchase their own shares, helping to restore badly eroded investor confidence on Wall Street, analysts said.

"These guys know their companies, know precisely where they're going, and think these prices are ridiculous," said David Bartlett, research director at Ladenburg, Thalmann & Co. Meanwhile, Carl C. Icahn, chairman of Trans World Airlines Inc., said he had withdrawn his proposal to acquire the TWA shares he does not already own. He cited the deterioration in market conditions.

Under the proposal, Mr. Icahn would have paid \$20 in cash and \$25 worth of 12 percent subordinated debentures, due in 2007, for each TWA share. The total transaction was valued at about \$1.35 billion.

TWA's board approved the offer on Friday, after Mr. Icahn had increased his offer from \$20 in cash and \$20 in bonds.

Although analysts differed on whether corporate demand for their own shares at bargain prices actually boosted the market on Tuesday, they said the announcements provided a big psychological lift.

"On my list of positive market factors, the buybacks are No. 1," said Larry Wachtel, market strategist at Prudential Bache Securities.

The Dow Jones industrial average closed about 102 points higher Tuesday after Monday's 508-point plunge, and some analysts cited the buybacks as part of the reason.

"It's very positive," Mr. Bartlett said.

Analysts said the buybacks also suggest that corporations have more confidence in the U.S. economy than investors who sold in the record stock market drop on Monday.

On Tuesday, the Securities and Exchange Commission made a one-day exception to its rule of prohibiting companies from repurchasing their stock in the last half hour of trading. Companies were allowed to continue repurchasing until the close of the market.

The rule prohibiting repurchases in the final half hour of trading helps to prevent rapid stock price rises at the end of the day, the spokesman said. The SEC stressed that the exception was made for Tuesday only.

While some of the companies are capitalizing on what they deem an investment bargain, others may be trying to keep their suddenly cheap shares out of the hands of corporate raiders.

GAF Corp., the object of a \$2.2 billion buyout proposal from a group led by its chairman, Samuel J. Heyman, said it would buy back up to 21 percent of its common shares.

The announcement followed a statement on Monday by GAF, which makes chemicals and building materials, that Mr. Heyman's group was reconsidering and might revise its buyout proposal in light of the recent jump in interest rates and turmoil in the financial markets.

## 'On my list of positive market factors, the buybacks are No. 1.'

—Larry Wachtel, Prudential Bache Securities

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The buyout offer was for \$66.50 in cash and securities for each of GAF's 33.5 million common shares outstanding. GAF also said the management group was considering a revised offer.

GAF's buyback, based on a late Monday price of \$35 per share, could total about \$345 million. GAF shares fell about \$17.50 on Monday.

Ford Motor Co.'s chairman, Donald Petersen said the company would accelerate its repurchase program in light of the price drop.

"We bought stock yesterday, more than we have recently, and will probably buy some more today," Mr. Petersen said Tuesday. He would not specify the number of his shares Ford bought Monday.

He said that the company would continue to repurchase stock under its previously announced plan to buyback 45 million shares and that it could finish the buyback by the end of this year.

Among other companies announcing buybacks were: USX Corp., up to 30 million shares; BellSouth Corp., up to 6 million shares; Citicorp, up to 5 million shares; Honeywell Inc., 5 million shares; Allegis Corp., 5 million; RJR Nabisco Inc., 5 million; Merrill Lynch & Co., 5 million; Burlington Northern Inc., 5 million; Shearson Lehman Brothers, 3 million; McGraw-Hill Co., 2.5 million; and Centel Corp., 1 million.

David Roderick, chairman of USX, said the repurchase "reflects the very strong financial position of the corporation and enables us to take advantage of current market conditions." (Reuters/AP)

# Citicorp More Than Doubles Net in 3d Quarter

Compiled by Our Staff From Dispatches

**NEW YORK**—Citicorp reported Tuesday that third-quarter net income was \$541 million, more than double the \$247 million net in the third quarter of 1986.

Citicorp, whose chief subsidiary is Citibank, said it continued to expect a loss of about \$1 billion in 1987, in keeping with its projection in May, in 1986. Citicorp had net profit of \$1,058 million in 1986.

The third-quarter net gain narrowed the company's net loss for the first nine months of the year to \$1.78 billion, compared with net profit of \$752 million in the first nine months of 1986.

On a per-share basis, earnings rose to \$3.64 for the quarter from \$1.64 in the like 1986 period.

Citicorp said the third-quarter results reflected a combination of earnings from its core businesses and a previously announced after-tax gain of \$163 million from recognition of pension plan overfunding through the purchase of an annuity contract.

It also cited \$139 million in tax benefits from the \$3 billion in loan-loss provisions it took earlier this year on its loans to developing countries.

As a result of its offering of 20 million new shares in September, Citicorp's common stockholders' equity—which had been sharply eroded by the \$3 billion provision—was at \$6.8 billion at the end of September, down from \$7.5 billion a year earlier.

Citicorp said it declared a 100 percent dividend, which is equivalent to a 3-for-1 stock split. Including the 20 million new shares, shares outstanding will double to about 318 million.

**E.F. Hutton**

E.F. Hutton Group Inc. reported that third-quarter net income more than doubled to \$8.7 million, or 26 cents a share, from \$3.6 million, or 11 cents a share, a year earlier.

Revenues for the period were \$988.9 million, a 46.6 percent increase from \$674.5 million in the 1986 quarter.

For the first nine months, net was \$120.6 million, or \$3.65 a share, up from \$43.6 million, or \$1.38 a share, in the year-earlier period. Nine-month revenues were \$2.7 billion, against \$2.1 billion.

**PaineWebber Group**

PaineWebber Group Inc. said its third-quarter net was \$14.81 million, or \$2.01 a share, in the third quarter, up from \$11.03 million, or \$1.53 a share, a year earlier.

The financial services company's per-share profit came to 44 cents, down from 71 cents in 1986. However, revenues for the quarter were \$628.6 million, an increase of 3.8 percent from \$605.6 million a year earlier.

For nine months, the company had earnings of \$65.01 million, or \$2.01 a share, on revenues of \$1.89 billion, compared with \$57.44 million, or \$1.93 a share, on revenues of \$1.81 billion.

**Bankers Trust New York**

Bankers Trust New York Corp. reported net profit of \$146.4 million, or \$2.03 a share, in the third quarter, up from \$110.3 million, or \$1.53 a share, a year earlier.

For the first nine months, the bank reported a net loss of \$1.16 billion, or \$28.33 a share, compared with net profit of \$301.8 million, or \$6.42 a share, a year earlier. The nine-month figures include a \$1.7 billion addition to loan-loss reserves in the second quarter. (Reuters/UP)

# Compaq, Apple Put Squeeze on IBM PS-2

**Analysts Say Sales May Be Lagging**

By Mark Potts

**WASHINGTON**—Six months after the introduction of its new-generation PS-2 line of personal computers, International Business Machines Corp. has found itself between a rock and a hard place.

The rock is Compaq Computer Corp., which is enjoying record sales of personal computers based largely on the technology IBM abandoned.

The hard place is Apple Computer Inc., which has taken advantage of IBM's delays in rolling out parts of its new computer line to rack up huge sales increases and to make important inroads in the business computer market long dominated by IBM.

And while IBM claims to have shipped one million PS-2 models to dealers since the computers were announced in April, some industry analysts and consultants say aggressive discounting programs indicate that sales of the machines may be lagging somewhat.

One computer industry magazine even has suggested that the PS-2 might be the "New Coke" of the computer industry.

Perhaps more important, the experts say, the success of Compaq and Apple in recent months means that IBM now has company in the leadership position in the personal computer industry.

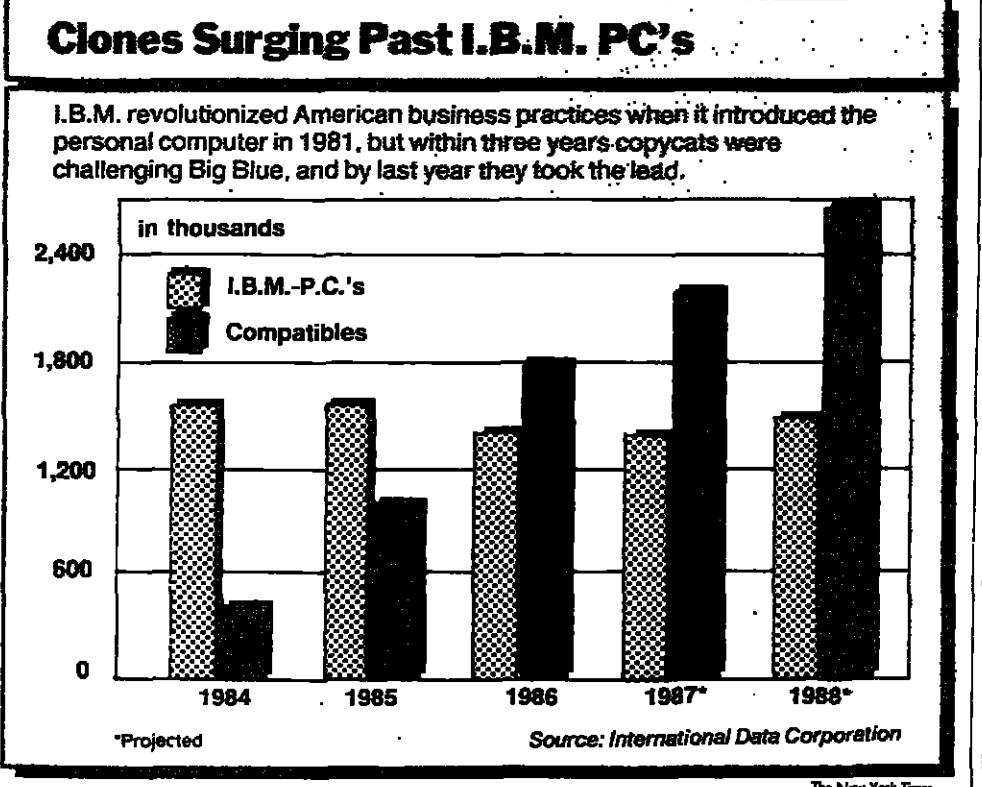
"Both Compaq and Apple clearly have benefited from the PS-2 introduction, at least for now," said Daniel C. Benton, an industry analyst at Goldman Sachs & Co.

"There is some relative market shifting, let's say, between Compaq, IBM and Apple," said John C. Maxwell, an analyst at Dillon, Read & Co. Inc., a New York brokerage. "I'd say Apple has been able to gain the most in terms of their market position."

Although the Apple II, introduced in 1977, is widely acknowledged as the first mass-market personal computer, the introduction of the IBM PC in 1981 turned personal computers into a big business.

The PC quickly became an industry standard, and IBM sold six million of the computers in various increasingly powerful versions. Millions more IBM-compatible machines, known as clones, have been sold by other makers, such as Compaq, Leading Edge and Epson. Apple, whose computers operate differently, made only minor inroads into the market, particularly in the hugely lucrative business-computing field.

The introduction of the second-generation IBM personal computer, then, was widely awaited. Indeed, many potential buyers held



off purchases for months before the announcement last April, creating a pent-up demand that analysts say is still running its course.

The new PS-2 models are a quantum leap in technology from the old PC, offering a great deal more power and other features. But while they will run existing MS-DOS software for IBM PCs and compatible machines, operating software that will take advantage of many of the PS-2s' advanced features still is unavailable, and is not due until early next year.

Analysts say this has hurt IBM's sales, because customers are reluctant to pay a higher price now for features that are not immediately available. "It's all future and IBM promises," said Bruce M. Lupatkin, an analyst at Hambrecht & Quist, a San Francisco brokerage.

IBM, however, insists that sales of the PS-2 line are excellent. "Demand is very strong," said a spokesman. "It's certainly exceeding our expectations."

But analysts aren't so sure. They say IBM has offered discounts on some of the computers in the PS-2 line, an unusual step for such a new machine. Also, they say, IBM has been untypically loud in boasting about the PS-2's sales. "They do seem to be doing a little bit too much promoting for a product that's selling so well," said Mr. Benton, the Goldman Sachs analyst.

While a million computers shipped in six months is an impressive number, experts caution that it's a little misleading, since IBM counts computers shipped to dealers, not customers. Many of those computers may be sitting in dealers'

storage rooms rather than on customers' desks, analysts say.

Nonetheless—and despite the "New Coke" jokes—there is little doubt that the PS-2 will become as much of an industry standard as its predecessor, if only because of IBM's clout and reputation. IBM also is said to have taken advantage of the introduction of the PS-2 to increase its already strong retail sales network through incentive and exclusivity programs with dealers, which will further help the PS-2 in the future.

"All the indications are that the acceptance and popularity of the machine are increasing all the time," said Peter Teige, an analyst for Dataquest, a technology research and consulting firm in San Jose, California. "It appears to be rapidly on its way to becoming the new standard."

In its wake, however, the PS-2 has created an opportunity for Compaq and the clone makers, experts say, because of IBM's decision, made shortly after the new machines were introduced, to discontinue the remaining vestiges of the old PC line, the extremely popular XT and AT computers.

Instead, many customers went for Compaq's IBM PC-compatible computers. Over the past couple of years, Compaq has established a considerable reputation in the industry for technological advances, distinguishing its machines from other IBM clones by offering features that not even IBM PCs had. Indeed, the high-end machines in Compaq's current line are considered equivalent or better in power, features and value to many of the PS-2 models.

That Compaq was able to take advantage of IBM's actions was evident in the company's most recent earnings statement, released in August. It showed that during the three months immediately after the PS-2's introduction, Compaq's sales jumped 82 percent, and its profits more than tripled.

Even as Compaq has taken advantage of what IBM left behind, Apple has been feasting on Big Blue's future, analysts say. Though the Apple Macintosh was compatible with the PC world until recently, it has included since its introduction almost four years ago several of the features that IBM now is touting on the PS-2, most notably a simplified graphics-based user environment that uses icons instead of computerese. IBM's equivalent system, in fact, won't appear until the new OS-2 operating system comes out next year.

That graphics-based system—combined with a new thrust toward business customers by Apple's marketing team, improvements in power from the Macintosh's popularity as a desk-top publishing machine—has put Apple and the Mac on a roll. Last week, the company reported a 54 percent quarterly increase in sales—particularly impressive for a company whose annual sales top \$2 billion—and a doubling of quarterly earnings.

For the first time, experts say, important personal computer programs now are being written for the Macintosh before they are produced for the IBM PC, instead of the other way around.

off purchases for months before the announcement last April, creating a pent-up demand that analysts say is still running its course.

The new PS-2 models are a quantum leap in technology from the old PC, offering a great deal more power and other features. But while they will run existing MS-DOS software for IBM PCs and compatible machines, operating software that will take advantage of many of the PS-2s' advanced features still is unavailable, and is not due until early next year.

Analysts say this has hurt IBM's sales, because customers are reluctant to pay a higher price now for features that are not immediately available. "It's all future and IBM promises," said Bruce M. Lupatkin, an analyst at Hambrecht & Quist, a San Francisco brokerage.

IBM, however, insists that sales of the PS-2 line are excellent. "Demand is very strong," said a spokesman. "It's certainly exceeding our expectations."

But analysts aren't so sure. They say IBM has offered discounts on some of the computers in the PS-2 line, an unusual step for such a new machine. Also, they say, IBM has been untypically loud in boasting about the PS-2's sales. "They do seem to be doing a little bit too much promoting for a product that's selling so well," said Mr. Benton, the Goldman Sachs analyst.

While a million computers shipped in six months is an impressive number, experts caution that it's a little misleading, since IBM counts computers shipped to dealers, not customers. Many of those computers may be sitting in dealers'

## U.S. Futures

Via The Associated Press Oct 20

Symbol	Open	High	Low	Close	Chg.
WHEAT (CBT)	2.00	2.02	1.98	2.00	-0.01
CORN (CBT)	1.25	1.27	1.23	1.25	-0.01
SOYBEANS (CBT)	1.50	1.52	1.48	1.50	-0.01
SOYBEAN MEAL (CBT)	1.50	1.52	1.48	1.50	-0.01

## Currency Options

Philadelphia Exchange Oct 20

Symbol	Open	High	Low	Close	Chg.
British Pound	1.48	1.49	1.47	1.48	-0.01
West German Mark	1.35	1.36	1.34	1.35	-0.01
Japanese Yen	0.01	0.01	0.01	0.01	0.00

## London Metals

Oct 20

Symbol	Open	High	Low	Close	Chg.
Aluminum	1150	1160	1140	1150	-10
Copper	120	122	118	120	-2
Nickel	130	132	128	130	-2

## DM Futures Options

Oct 20

Symbol	Open	High	Low	Close	Chg.
DM Futures	1.48	1.49	1.47	1.48	-0.01
DM Options	1.48	1.49	1.47	1.48	-0.01

## U.S. Treasuries

Oct 20

Symbol	Open	High	Low	Close	Chg.
Treasuries	1.48	1.49	1.47	1.48	-0.01
Treasury Bonds	1.48	1.49	1.47	1.48	-0.01

## Stock Indexes

Oct 20

Index	Open	High	Low	Close	Chg.
S&P 100	1450	1460	1440	1450	+10
Dow Jones	1100	1110	1090	1100	+10
Nikkei	1800	1810	1790	1800	+10

## Commodity Indexes

Oct 20

Index	Open	High	Low	Close	Chg.
Commodity Index	100	101	99	100	0
Energy Index	100	101	99	100	0

## Market Guide

Oct 20

Market	Open	High	Low	Close	Chg.
Market Guide	1.48	1.49	1.47	1.48	-0.01
Market Guide	1.48	1.49	1.47	1.48	-0.01

## Government to Sell Stake in N.Z. Steel

Wellington, New Zealand — The government has agreed to sell its 89 percent in state-owned New Zealand Steel Ltd. to Equitcorp Holdings Ltd. for \$217 million, Finance Minister Roger Douglas said Tuesday.

The price was set at 44 cents a share, NZS shares closed on Tuesday at 40 cents.

Equitcorp's chairman, Allan Hawkins, said that the agreement required his company to make a full bid, at 44 cents, for all NZS shares within a week. Equitcorp is offering one of its shares for every eight NZS shares, ex-interest dividend.

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## MARKETS IN Dollar Sha

NEW YORK — The dollar's price... (text continues with market analysis)

## Tuesday's OTC Prices

NASDAQ STOCK MARKET

Symbol	Price	Chg.
IBM	145	+2
Apple	120	+3
Compaq	85	+1

## Dividends

Oct 20

Company	Per Amt	Pay. Rec.
IBM	0.75	10-15-87
Apple	1.00	10-15-87
Compaq	0.50	10-15-87



MARKETS IN TURMOIL: Bond prices and the dollar show gains

Dollar Sharply Higher in New York

NEW YORK — The dollar closed sharply higher in New York Tuesday, continuing an overnight rally started by comments from U.S. and West German monetary officials that recent differences had not weakened an agreement on exchange rates.

Analysts said the dollar also received a boost in the early going as a rebound in U.S. stock prices. In New York, the dollar, which had been sharply lower Monday, rebounded more than 3 pennings and 2.6 yen to close at 1.8105 Deutsche marks, up from 1.7735 on Monday, and at 143.95 yen, up from 141.35.

The dollar also closed at 1.5030 Swiss francs, up from 1.4730 on Monday, and at 6.0420 French francs, up from 5.9245. The British pound was 3.45 cents lower, closing at \$1.6515, against \$1.6855 on Monday.

All the various monetary authorities are getting involved and joining forces and showing a great deal of concern over recent turmoil in the markets, said Thomas Benfer, a trader with Bank of Montreal in New York.

Traders said one sign of cooperation emerged from a meeting in Frankfurt on Monday between the U.S. Treasury secretary, James A. Baker 3d, West Germany's finance minister, Gerhard Stoltenberg, and the Bundesbank president, Karl Otto Pöhl.

The parties agreed to continue economic cooperation under the "Louvre agreement," a statement released after the meeting said, "including cooperation on exchange rate stability and monetary policies."

Over the weekend, Mr. Baker had criticized West Germany for predict where the currency might move next.

"It's very difficult to say what such big swings might do to sentiment," he said.

London Dollar Rates

Table with columns: Currency, Bid, Ask, and Source: Reuters

Foreign exchange traders had begun to question the strength of the Louvre accord, an agreement designed to foster stability among exchange rates.

The cooperation "is a sign of support for the dollar," Mr. Benfer said. "They don't want to see the dollar go into a freefall. Certainly, it is a reconsideration of recent differences and it is providing support for world stock, bond and foreign-exchange markets."

In London, the dollar closed with gains of more than 2 pennings and 2 yen.

At one point the dollar was more than 4 pennings higher, soaring almost 6 pennings in half an hour of hectic trading as U.S. bonds rallied and several leading U.S. banks lowered their interest rates.

"That was one hell of a rally," a dealer with a major U.S. bank said. In London, the dollar closed at 1.8090 DM, up from 1.7773 on Monday, and at 143.85 Japanese yen, up from 141.72.

It also closed at 1.5005 Swiss francs, up from 1.4765, and at 6.0375 French francs, up from 5.9375.

The dollar was also higher against the British pound, which closed at \$1.6545, against \$1.6805 on Monday.

The immediate panic would appear to be over, one dealer said, though he, like others, declined to

Gold Lower in Response To Stock, Dollar Rebounds

LONDON — Gold prices slumped Tuesday in response to a weak U.S. bullion market and to a rebound in U.S. stock prices and in the dollar, dealers said.

Republic National Bank in New York closed cash gold at \$464.25 an ounce, down sharply from its Monday close of \$482. New York's Commodity Exchange settled the spot contract at \$463.20, down \$18.50 from the previous \$481.70.

Gold bullion ended at \$461.50 an ounce in London, down \$21.25 from \$482.75 at Monday's close, having fallen during the afternoon session. The U.S. bullion market sagged during early afternoon dealings and pushed gold down to \$464.30 at the afternoon fixing session from the morning settlement of \$481.60.

Comex floor traders said that the drop in gold exceeded expectations. They said prices had been expected to be only \$2 to \$3 lower, based on overnight markets. The dollar's renewed strength prompted foreign traders to sell gold in New York.

Bill Byers of Bear Stearns said that the free-fall in equities on Monday weakened the margin position of many stock traders who rushed to sell assets to sustain their margin accounts.

Eric Dunlavy of Balfour Beatty International said traders "tried to take a bearing on the stock market trend to decide if there was still a need to find a safe harbor in this financial storm."

BONDS: Nervous Investors Rush Into U.S. Treasuries

(Continued from first finance page) U.S. and West German officials, their comments seemed to lessen the likelihood that the United States would allow the dollar to decline in protest at recent rises in West German money market rates.

With long-term bond prices also gaining from the exodus of capital from the equity markets, the 8 percent 30-year Treasury bond advanced by 3/20 of 32 points to 94 22 3/4.

In another move that helped calm markets, the Bundesbank began to blunt this rate rise on Monday by injecting liquidity into the domestic market.

Dealers said bond investors seemed to set aside their fear that, despite the Louvre accord, the massive U.S. trade and budget deficits would cause the dollar to fall and trigger high inflation.

Instead, in the wake of Monday's stock market plunge, they focused on the possibility of a recession, which would bring lower interest rates.

"We're also seeing money from the sidelines stepping up now, getting out of cash because they feel the market's healthier."

In the junk bond market, prices of many issues slumped by 2 to 4 points.

U.S. Officials Move to Smooth Roiled Markets

WASHINGTON — President Ronald Reagan held an extraordinary meeting late Tuesday with the Federal Reserve Board chairman, Alan Greenspan, and Treasury Secretary James A. Baker 3d to discuss the chaos in world stock markets.

Mr. Baker rushed back from meetings in Europe to keep a closer watch on the situation and Mr. Greenspan issued a statement reassuring the nation's banks that the Fed would not move to tighten credit.

Analysts suggested that the government had limited options for dealing with the crisis.

As financial leaders of industrial nations conferred by telephone, analysts suggested that a statement reaffirming a commitment to hold the dollar at current levels in an effort to quiet tumultuous international markets might be forthcoming by day's end.

Meanwhile, a senior White House economic adviser predicted in an internal forecast that the nation might face a recession as early as next spring barring a dramatic reversal of the market plunge, according to an administration official.

The new forecast reversed an earlier projection of continued growth in the economy at least through the end of President Reagan's term in early 1989, said the official, who spoke only on the condition of anonymity.

The new projection was based on a contention that the damage done to the economy from Monday's stock market crash might be too deep to correct, the source said.

Earlier Tuesday, Mr. Greenspan said the Federal Reserve would make easy-term emergency loans available to banks to preserve the "liquidity" of the financial system.

Analysts said the Fed action was a means of assuring banks that the Fed would make loans available with few strings attached to help boost bank reserves in case of any emergencies.

"It raises the odds on a recession," Mr. Sinai said. "There's no doubt that the risk is much higher now than it was last week. I thought a recession was likely in 1989, but the concern now is about 1988."

Barry Bosworth, an economist at the Brookings Institution, a private research group in Washington, said he believed the impact of the stock market fall would be less severe.

He said it would trim growth prospects next year by a half percentage point, which he described as a "marginal."

In June, the administration estimated that the economy would grow 2.6 percent this year, adjusted for inflation, and 3.3 percent next year. New estimates will be given in the president's economic report to Congress in January.

SLIDE: Stock Fall Seen Adding to Risk of U.S. Recession

(Continued from Page 1) Columbia University, said that corporate planners may decide to delay capital spending projects.

"Businesses make decisions every day and they may already have decided to postpone investing in new plant facilities," he said.

Allen Sinai, chief economist at Shearson Lehman Brothers, said he reckoned that the paper losses on Wall Street on Monday would translate into a \$55 billion drop in consumer spending next year.

This would reduce the already modest 3 percent economic growth anticipated next year by 1 or 2 percentage points, he said.

"This in itself would not bring on a recession. But it clearly increases the vulnerability of the economy, especially if the market fails to find solid ground in the days and weeks ahead and posts another significant decline."

Spokesmen at the Council of Economic Advisers and the Treasury Department had no comment on how the stock market's plunge might affect growth estimates.

Said the risk of a recession has replaced, at least temporarily, concern about inflation as a major theme in the stock market.

"Inflation psychology has slipped," said Beth Reiners, a vice president at Dean Witter Reynolds in New York.

She said that was one reason that government bond markets have surged as stocks have spiraled.

Moreover, economists and investment strategists said they do not see any easy way to overcome these recessionary fears.

"There's really two elements that will restore confidence," said Mr. Hormats.

"One would show Washington doing something about the budget deficit," he said. "The other would show that the major economies can work together to solve their problems."

Tuesday's OTC Prices NASDAQ prices as of 4 p.m. New York time. Via The Associated Press

Large table of OTC stock prices with columns for stock name, bid, ask, and price.

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Table of stock prices with columns for stock name, bid, ask, and price.

Tuesday's AMEX 3pm

Table of AMEX stock prices with columns for stock name, bid, ask, and price.







SPORTS

Back at Home, Cardinals May Thicken the World Series Plot

By Thomas Boswell
Washington Post Service
ST. LOUIS — Get ready for the World Series plot to thicken. O.K., O.K., make that root for the plot to thicken.

History says the odds are against us, added Tudor. It's 2-3 this year to Straker's 8-10. "But if we listened to history, we wouldn't have beaten San Francisco (in 1987) or Los Angeles (in '85) or the Brewers (in '82). Or lost to Kansas City (in '85)."

happy too soon; conversely, it may be far easier than ever before to panic when you feel the humiliation of losing something you thought you owned.

imagine counting chickens? What Cardinals would think of quitting? Both teams recognize the obvious dynamic at work in this Series.

and-run speed National League team. "They say speed never goes into slumps," says Herzog. "That's not true."

eyes; now all are impatient, especially Herr (no walks). Play out this scenario, for fun. Tudor wins Game 3 and Viola takes No. 4 (or they both lose — either way, 3-1 Twins). Kelly starts Bert Blyleven in No. 5, going for the quick kill, just as he did against Detroit. Herzog counters with Bob Forsch, as he's said he will. On three days' rest, the 36-year-old Blyleven has a poor day. The Twins bullpen can't hold. St. Louis steals a wild one. Back to Minnesota where a rested Danny Cox beats Straker — hardly a remote possibility.



Steve Lombardozzi of the Minnesota Twins, going through an outfield workout Monday at Busch Stadium in St. Louis.

To their credit, both teams seem to be in almost ideal frames of mind at the moment. Neither is in need of a reality check. The Cardinals know they are on the ropes and that the Twins have the confidence, firepower and anger to close out this Series in St. Louis. Minnesota, thanks largely to Manager Tom Kelly's acidic tongue, knows the Cardinals are the decade's proven masters of the postseason comeback.

If you'd spent the last decade betting heavily against every team that led a playoff or Series by two games, you'd be rich enough to own a team. Five of the last nine Series have seen such 2-0 or 3-1 flops. It has befallen Los Angeles, Baltimore, the New York Yankees, the Cardinals and Boston. Five league championship series have seen it, too — just in the 1980s. Remember the Angels, Cubs, Dodgers, Blue Jays and Angels again.

Both the Twins and Cardinals are true to the lessons of their heritage. The Twins are still 118 games under .500 in the '80s; the Cardinals are 103 games over since Herzog arrived in '81. What Twin can

La Piniella, the manager for the past two seasons, was named general manager. Martin, 59, spent the last two years as one of the team's television broadcasters and as a consultant to Steinbrenner. Martin managed the Yankees for most of the 1985 season, then was dismissed in favor of Piniella, the man he will replace.

one to assist him in contract negotiations and with major league and labor-agreement rules. Steinbrenner has said that person could be Bill Beresch, who was dismissed by the Cincinnati Reds.

Now, we have Viola at home, pitching on three days' rest for the second straight time against Tudor on four days after his experienced Cards behind him facing the panderemonium of the Metropole. Who do you like in that one?

Two English Teams Are Resurrected After the Bedlam and Inferno of 1985

LONDON — If you give credence to sport as a microcosm of life, there is a timely message of renewal in England's soccer back-

merely because it is winning again but because it has grown to embrace the higher ideal that sport also has a duty to entertain.

Regular 4-0 victories are one thing, style quite another; it is embodied in John Barnes, the new

ROB HUGHES

wing. For years Liverpool triumphed without wingers. It had functional, aggressive, dual-purpose runners who defended as readily as they attacked.

His union with the crowd testifies to Liverpool's changed values. It's a deprived city; pride compels it to be first and best. Saturday, almost 44,000 squeezed inside Anfield Stadium; 3,000 were turned away.



John Barnes, right, keeping Arsenal's Steve Williams at bay; "I sense the buzz from Liverpool fans when I get the ball."

to millions it may seem the stock market will never recover. Closer to home, the uprooting of 200-year-old oaks by nature's hoolligan violence destroyed landscapes, at cannot be replaced in our time.

SPORTS BRIEFS

French Rugby Team Sets 1988 Tour
PARIS (AFP) — The French national rugby union team will tour Argentina and Paraguay next year, it was announced Tuesday.

Summer Kratochvilova Calling It Quits
PRAGUE (AFP) — The retirement of Jarmila Kratochvilova, whose career as a runner peaked when she won the 400- and 800-meters at the 1983 world championships, was announced Tuesday.

For the Record
Obad Ariki kicked two field goals and Ted Wilson scored on a 16-yard surge as Washington beat Dallas, 13-7, in a National Football League game Monday night in Irving, Texas.

Martin Taking Yankee Helm Again

By Michael Martinez
New York Times Service
ST. LOUIS — Billy Martin, who came and went four times as manager of the New York Yankees in a 10-year span that began in 1975, was brought back for a fifth time late Monday in another shakeup by team owner George Steinbrenner.

he would not detract from the games. Steinbrenner, the source added, was prepared to adhere to Ueberroth's request but changed his mind after three general managers were dismissed or resigned during postseason games.

one to assist him in contract negotiations and with major league and labor-agreement rules. Steinbrenner has said that person could be Bill Beresch, who was dismissed by the Cincinnati Reds.



Billy Martin

La Piniella, the manager for the past two seasons, was named general manager. Martin, 59, spent the last two years as one of the team's television broadcasters and as a consultant to Steinbrenner. Martin managed the Yankees for most of the 1985 season, then was dismissed in favor of Piniella, the man he will replace.

He resigned under fire in July 1978; Steinbrenner brought him back in June 1979, then dismissed him after the season when Martin had a fight with a marshall/salesman outside a hotel bar in Bloomington, Minnesota.

SCOREBOARD

Football

Table with columns for College Top-20 Polls and NFL Standings. Includes teams like Oklahoma, Nebraska, Miami, and NFL teams like New England, NY Jets, Pittsburgh.

Hockey

National Hockey League Standings

Table showing NHL Standings for Patrick Division, Adams Division, Campbell Conference, and Norris Division.

Tennis Leaders

Table showing ATP and WTA Tennis Leaders with names like Ivan Lendl, Andre Agassi, Martina Navratilova.

Large advertisement for International Classified, featuring various escort services (Geneva, Zurich, London, etc.), a watch advertisement for Blancpain, and a transition advertisement for baseball players.



POSTCARD

The Teen Fathers Club

By Michael Wintrip
New York Times Service
BRIDGEPORT, Connecticut — There's a lot of fun stuff for a 17-year-old like Alex Fernandez to do at the YMCA. He enjoys shooting basketball and lifting weights, and he likes the Teen Fathers Club. It's a bunch of regular guys, and you can talk to Manny Cardona, the leader, about your feelings. Alex qualified for the club five months ago, when his son, Andrew, was born. "A baby's kind of a big responsibility," said Alex, who is a junior in high school. "When she was pregnant I was upset. But I guess, you play, you pay. Birth control? Just, you know, we didn't use nothing like that." Cardona has found Alex an after-school job at Nice and Fresh Bakery, so Alex can contribute a little money for the baby. "Manny's always telling me to hang with it, things will turn out," said Alex. "Manny gives you hope." Alex tells Cardona he is not ready for marriage, though he says he respects his girlfriend, Diane. "She's not like this pretty-but-dumb girl," he said. "She's real intelligent. She wants to go to college." They had considered abortion, but decided against it. "I really don't remember why — I forget," said Alex. "It's a white baby. Plus, Diane said, 'If you play, you've got to pay.'" Cardona hands Alex a new box of baby bottles. "Thanks, Manny," said Alex, heading to the gym with the bottles to shoot some baskets. Cardona finds his young fathers playing pool in back of La Cueva bar, dancing at the Crystal Ballroom, hanging out on East Main Street. "Humberto?" said Cardona, slowing his car. "When?" "It's due Friday," said Humberto Pérez, 19, a truck driver. Cardona stopped the car and gave the truck driver a box of bottles. In the three-decker houses on the East Side of Bridgeport, they know Cardona. Several teen-agers, including Luis Marrero and Edgar López, have made him the godfather of their sons. He finds them jobs so they can help support their babies, and he gets medical care for their pregnant girlfriends (in these neighborhoods the infant mortality rate is three times the U.S. national average.)

Kenneth Tynan: The World and His Wife

By Victoria Glendinning

LONDON — Kathleen Tynan, when she is in London, still lives in the South Kensington house that she and her late husband Kenneth Tynan bought in 1966, having fallen in love, as she writes, with "huge rooms, stone staircase and leafy surroundings." They were in California during his final illness: Tynan, planning his autobiography, had gone back to the Kensington house "and read his own files." After he died the files were there, waiting. "At the beginning I was fascinated by this cache of material, which was now mine. I thought I was simply clearing up, but then I decided it would be a good idea to write the book myself. The last months had been a black period. Ken was so sick, and so enraged to be sick — and then he'd left me, by dying. I wanted to find out more about him. Not that he had any secrets, he could never keep a secret, but I wanted to unravel what he had really been like. For her, Tynan was "my lover, my husband, my teacher, the London Observer drama critic, the London Observer for the world he was notorious for being the first person to say the most famous of four-letter words on British television, and for being the man behind 'Oh! Calcutta!' which, whatever the critics thought of it, was a theatrical breakthrough of a kind and the culmination of the raunchy '60s scene that Tynan in so many ways personified. He was a dandy who started drah, post-war Oxford as an undergraduate in the late 1940s with his purple doekskin suit and gold satin shirts. The stage was his passion, and he began acting and directing plays in London he established himself, as Michael Redgrave said at the time, as the "enfant terrible of the English theater." He will be remembered above all for his writing about the theater; in the 1950s he wrote drama criticism, the London Observer and for The New Yorker. Then for 10 years in the 1960s he worked with Laurence Olivier at London's new National Theatre, commissioning and recommending plays and sustaining a stormy relationship with the august board of directors. Tynan was flamboyant, iconoclastic and volatile. He had campaigned for nuclear disarmament, sexual freedom, an end to theater censorship and the legalization of marijuana. He was in Cuba with Hemingway and Tennessee Williams, and was later subpoenaed by the U.S. Senate Internal Security Subcommittee. Gore Vidal, Norman Mailer and Marlon Brando came to his parties; he knew everyone. Kathleen, his second wife (the first was Elaine



Kenneth Tynan in 1975; his widow Kathleen: "We are now separate."

Dundy, the novelist), felt like Sancho Panza to his Quixote. When she embarked on the book, a friend tried to dissuade her. "Widows just do that," he told her. It did turn out to be much more difficult than she had imagined: "I was not the same person at the beginning as at the end." She had to research not only Tynan's life but her own, and her relationship with him. "I've written a rather personal introduction to explain what I was trying to do. I dreaded the moment in the book when I came on the scene. The first section is more or less conventional biography, and when I showed these chapters to my American publishers they said that all they really wanted was a memoir of the 16 years I was with him. But I stuck to my gun. I did far too much research, getting obsessed with minor details, such as his exact salary at the National Theatre, down to the last £2. I had to cut out about 80,000 words out of it by the end." She discovered far more about Tynan's background than he knew himself. His father led a double life. Officially, and for two days a week, he was Sir Peter Peacock, a prosperous businessman and six times mayor of Warrington. Unofficially, for the rest of the time, he was Peter Tynan, living with Kenneth's mother, a working-class Irish woman, in Birmingham. Only on his father's death did Kenneth, then in his 20s,

learn something about these complications, and he came to resent the years of secrecy. "I think Ken's childhood explains a lot about him, and that his whole life can be seen as a sort of dance with his father, the organizer and chairman-figure that Ken could have been but never was." Just before she brought herself into the book, Kathleen wrote an interlude "about the best bits of being with Ken." She read her diaries, and discovered she had met him three times before what she renamed as their first meeting. She became "just another character" in the biography, "especially when I found her, the ridiculous creature that I was at university, rushing around like a lunatic without much judgment. I was star-struck, like Ken was, but later I got tired of these great persons. I don't think he ever did." She discovered how she had changed during the marriage, slowly, "like a determined snail." Extremely pretty and more than 10 years younger, she was at first happy just to be with him, doing a little work on the side. "Then I read Friedman and Greer and began to spread my wings, and started writing novels to find out what I felt." Her novel-writing was no threat to Tynan, "he was such a stellar creature." But it was hard for him when she was writing a scenario in Los Angeles while he was sick with the emphysema that killed him. "He had wanted to write a film himself, it seemed unfair." She read everything he had ever written, not only letters but hundreds of articles and reviews in journals, some long defunct. "I reversed my original view, that he was a performer who happened to write. I told him that once and he agreed. Now I think he was an absolutely marvelous born writer." Writing the later parts was painful. "I had quite explosive dreams about the past. I suppose I was wondering whether I could go on being the rescuer — not of Ken but of my love for Ken, and of the intensity of our relationship, and not feel angry about some of the things that happened." She also felt a little queasy about interviewing the other women in Tynan's life even though all the affairs but one dated from before their marriage. "They treated me as a journalist and were very candid. I felt almost shocked that they could be so candid in my presence. I was impressed by the generosity of these women, they didn't try to put themselves in a good light, they were thinking about Ken." This was by no means true, she says, of some of his most friends and colleagues. "Ken provoked explosive reactions, and his contemporaries tend to have fixed views about him, one-dimensional and unchangeable." Tynan, the crusader for sexual explicitness in the media, had his own peculiar sexual fetishes. Kathleen Tynan, writing about these intimate matters, has tried to give them no more and no less importance than they actually had. She has no qualms at all about what she has revealed. "If you'd embarked on a book about Ken, and didn't write about his sexual nature, it would be a great cop-out." She stresses, again, that he himself did not believe in a betrayal if he hadn't tried to tell the truth. But she has learned that, although one can explore the past, "there's no one truth. There's no one Ken Tynan." She was "exhausted, depleted" when she finished the book (published in Britain by Weidenfeld & Nicholson, and soon to appear in the United States from Morrow), but satisfied: "First, because I realized he was not a failure, and second, because I was released from the hoops of steel by which I was bound to him. We are now separate." Kathleen Tynan divides her time between London and the United States. The two children of their marriage are growing up. She is writing a film based on a story-line of her own. She has become, in the seven years since Tynan died, her own woman. Victoria Glendinning's latest biography, of Rebecca West, has been published recently.

PEOPLE

A Chorus of Trumpeters

For Armstrong Archives
Jazz trumpeters played tribute to Louis Armstrong to mark the establishment of an archive at Queens College featuring a trove of recordings and compositions. Dizzy Gillespie, Roy Eldridge, Wynton Marsalis, Art Farmer, Clark Terry, Jon Faddis, Doc Cheatham, Jimmy Owens and Lou Soloff were all part of a program in New York Monday night honoring Armstrong, who died in 1971. When Armstrong's wife, Lucille, died in 1983 she left the house Armstrong had lived in since 1943 to the City of New York. Last year Queens College was asked to care for the archives through the university's Aaron Copeland School of Music. When the archivists began to look through the material in the house they realized that Armstrong had kept a detailed record of virtually every appearance with which he was connected. In addition to his five trumpets and correspondence, the collection includes 50 acetates of recordings dating back to the 1920s, 60 photo albums and 20 files of unpublished musical manuscripts. The archive also includes hundreds of reel-to-reel tapes of Armstrong performances. Japan's Emperor Hirohito was up and dressed on Tuesday for the first time since his stomach operation a month ago, his aides said. The 86-year-old emperor is recovering steadily, they said, but is expected to receive another blood transfusion on Wednesday to combat anemia. Emperor Hirohito has had four blood transfusions since he underwent surgery on Sept. 22. A bust of Edgar Allan Poe was stolen from the Poe Museum in Richmond, Virginia. "This is a major crime in the art world," said Bruce English, president of the Poe Foundation, which owns and operates the museum. "I'm very disturbed. It's irreparable. I have insured for \$2,000 but it's worth more than that." English said the plaster bust is thought to have been completed in 1909 to serve as a model for a bronze version made by the sculptor Edmond Quinn. It's probably the most famous bust of Poe," said English, "and this is the plaster model used by the sculptor to make his bronze casting."

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